

**THE COMMUNITY EMPOWERMENT FUND**  
Chapel Hill, North Carolina

**Audited Financial Statements**

Years Ended December 31, 2018 and 2017



THE COMMUNITY EMPOWERMENT FUND  
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Years Ended December 31, 2018 and 2017

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## **Report of Independent Auditors**

To the Board of Directors  
The Community Empowerment Fund  
Chapel Hill, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Community Empowerment Fund (the "Fund"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2018 and 2017, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*James S. Gibbs CPA, PLLC*

Durham, North Carolina  
April 28, 2019

**THE COMMUNITY EMPOWERMENT FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 2)	\$ 469,541	\$ 470,360
Investments (note 3)	75,710	-
Accounts receivable	124,121	30,649
Inventory	2,416	2,450
Total current assets	671,788	503,459
Non-current assets		
Property and equipment, net (note 4)	5,583	5,915
Other non-current assets (note 5)	1,125	1,125
Total non-current assets	6,708	7,040
Total assets	\$ 678,496	\$ 510,499
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable	\$ 1,887	\$ -
Deferred revenue (note 6)	6,499	5,388
Payroll liabilities	382	-
Accrued vacation liability	6,631	9,518
Accrued expense (note 11)	12,919	15,308
Savings matches payable	6,182	5,584
Members' deposits (note 7)	100,439	85,751
Total liabilities	134,939	121,549
Net assets		
Without donor restrictions		
Undesignated	125,156	260,441
Board designated (note 13)	105,971	85,971
Total without donor restrictions	231,127	346,412
With donor restrictions		
Grants	304,174	32,179
Matching reserves	8,256	10,359
Total with donor restrictions (note 15)	312,430	42,538
Total net assets	543,557	388,950
Total liabilities and net assets	\$ 678,496	\$ 510,499

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>			
Support and revenue			
Grants (note 8)	\$ 107,630	\$ 321,770	\$ 429,400
Contributions	154,107	665	154,772
Contract revenue	74,629	-	74,629
In-kind contributions (note 14)	4,206	-	4,206
Other revenue	5,903	-	5,903
Net assets released from restrictions (note 16)	52,543	(52,543)	-
Total support and revenue	399,018	269,892	668,910
Expenses			
Program services	404,788	-	404,788
Management and general	62,148	-	62,148
Fundraising	50,225	-	50,225
Total expenses	517,161	-	517,161
Change in net assets from operating activities	(118,143)	269,892	151,749
<b>Non-operating Activities:</b>			
Interest income	2,858	-	2,858
Change in net assets from non-operating activities	2,858	-	2,858
Change in net assets	(115,285)	269,892	154,607
Net assets, beginning of year	346,412	42,538	388,950
Net assets, end of year	\$ 231,127	\$ 312,430	\$ 543,557

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>			
Support and revenue			
Grants (note 8)	\$ 293,055	\$ 37,401	\$ 330,456
Contributions	119,192	2,271	121,463
Contract revenue	66,516	-	66,516
In-kind contributions (note 14)	600	-	600
Other revenue	9,954	-	9,954
Net assets released from restrictions (note 16)	25,910	(25,910)	-
Total support and revenue	<u>515,227</u>	<u>13,762</u>	<u>528,989</u>
Expenses			
Program services	375,226	-	375,226
Management and general	32,837	-	32,837
Fundraising	40,965	-	40,965
Total expenses	<u>449,028</u>	<u>-</u>	<u>449,028</u>
Change in net assets from operating activities	66,199	13,762	79,961
<b>Non-operating Activities:</b>			
Interest income	311	-	311
Change in net assets from non-operating activities	<u>311</u>	<u>-</u>	<u>311</u>
Change in net assets	66,510	13,762	80,272
Net assets, beginning of year	279,902	28,776	308,678
Net assets, end of year	<u>\$ 346,412</u>	<u>\$ 42,538</u>	<u>\$ 388,950</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2018 and 2017

	2018	2017
<b>Operating activities</b>		
Change in net assets	\$ 154,607	\$ 80,272
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	2,032	1,926
In-kind donations	(1,700)	-
Interest	(2,858)	(246)
(Increases) decreases in assets:		
Investments	(75,710)	-
Accounts receivable	(93,472)	(20,484)
Inventory	34	43
Prepaid expenses and other assets	-	2,442
Increases (decreases) in liabilities:		
Deferred revenue	1,111	(2,487)
Accounts payable	2,269	-
Accrued expense	(2,389)	(1,116)
Savings matches	598	-
Members' deposits	14,688	3,709
Accrued vacation	(2,887)	4,438
Net cash (used) provided by operating activities	(3,677)	68,497
Cash flows from investing activities:		
Interest	2,858	246
Net cash provided by investing activities	2,858	246
Net (decrease) increase in cash and cash equivalents	(819)	68,743
Cash and cash equivalents, beginning of year	470,360	401,617
Cash and cash equivalents, end of year	\$ 469,541	\$ 470,360
Non-cash investing and financing transactions		
In-kind donations	\$ 1,700	-

The accompanying notes are an integral part of the financial statements.



COMMUNITY EMPOWERMENT FUND, INC.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2018

	Program Services				Support Services			Total Expenses
	Advocate Program	Savings Accounts	Opportunity Classes	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries & related benefits	\$ 270,488	\$ 7,129	\$ 17,447	\$ 295,064	\$ 36,537	\$ 29,296	\$ 65,833	\$ 360,897
Contracted services	7,287	6,296	10,673	24,256	1,646	13,193	14,839	39,095
Supplies & materials	3,021	140	70	3,231	165	641	806	4,037
Reimbursible expenses	1,276	-	-	1,276	-	-	-	1,276
Printing and copying	2,795	153	26	2,974	77	1,335	1,412	4,386
Postage	253	-	-	253	-	761	761	1,014
Rent and occupancy	34,031	4,049	1,350	39,430	1,088	3,626	4,714	44,144
Insurance	1,169	42	14	1,225	557	370	927	2,152
Staff development	2,635	3	1	2,639	867	62	929	3,568
Online services	6,678	1,534	1,389	9,601	540	498	1,038	10,639
Food and drink	3,089	20	18	3,127	129	281	410	3,537
Miscellaneous	156	12	1	169	212	12	224	393
Conferences & memberships	988	125	-	1,113	30	-	30	1,143
Savings matches	-	16,262	2	16,264	-	-	-	16,264
Depreciation	-	-	-	-	536	-	536	536
Amortization	1,242	45	15	1,302	45	150	195	1,497
In-kind	-	-	-	-	200	-	200	200
Professional fees	2,864	-	-	2,864	19,519	-	19,519	22,383
<b>Totals</b>	<b>\$ 337,972</b>	<b>\$ 35,810</b>	<b>\$ 31,006</b>	<b>\$ 404,788</b>	<b>\$ 62,148</b>	<b>\$ 50,225</b>	<b>\$ 112,373</b>	<b>\$ 517,161</b>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2017

	Program Services				Support Services			Total Expenses
	Advocate Program	Savings Accounts	Opportunity Classes	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries & related benefits	\$ 221,562	\$ 20,976	\$ 31,878	\$ 274,416	\$ 13,072	\$ 33,438	\$ 46,510	\$ 320,926
Contracted services	13,652	2,029	1,770	17,451	1,613	102	1,715	19,165
Supplies & materials	3,357	191	742	4,290	99	887	986	5,275
Reimbursible expenses	5,620	-	-	5,620	-	-	-	5,620
Printing and copying	1,681	345	282	2,308	96	1,178	1,274	3,582
Postage	188	-	-	188	-	901	901	1,089
Rent and occupancy	28,931	4,192	5,910	39,033	1,448	3,660	5,108	44,141
Travel and transportation	1,210	26	37	1,273	15	37	52	1,325
Insurance	441	45	64	550	1,306	64	1,369	1,919
Staff development	3,719	63	90	3,871	36	235	271	4,142
Online services	1,590	1,176	46	2,813	502	95	597	3,410
Marketing and outreach	-	-	-	-	-	-	-	-
Other	604	234	17	854	127	17	144	998
Miscellaneous	31	30	-	61	-	-	-	61
Licenses & fees	-	-	-	-	-	202	202	202
Savings matches	-	21,113	-	21,113	-	-	-	21,113
Depreciation	-	-	-	-	430	-	430	430
Amortization	1,032	105	150	1,287	60	150	209	1,496
In-kind	-	-	-	-	600	-	600	600
Professional fees	100	-	-	100	13,434	-	13,434	13,534
<b>Totals</b>	<b>\$ 283,718</b>	<b>\$ 50,523</b>	<b>\$ 40,985</b>	<b>\$ 375,226</b>	<b>\$ 32,837</b>	<b>\$ 40,965</b>	<b>\$ 73,802</b>	<b>\$ 449,028</b>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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**Note 1 – Nature of activities and significant accounting policies**

The Community Empowerment Fund (the “Fund”) is a private non-profit organization incorporated under the laws of North Carolina in 2010. The Fund provides savings opportunities, financial education, and assertive support to unemployed and underemployed individuals in Orange and Durham Counties. The Fund has offices in Chapel Hill and Durham, North Carolina.

**Basis of accounting** - The Fund uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

**Basis of presentation** - The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) 958-205 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (“AICPA”) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. The Fund’s board may designate assets without restrictions for specific operational purposes from time to time.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Revenue recognition** - The Fund follows ASC Topic 985-605, Revenue Recognition. In accordance with ASC 985-605, unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

THE COMMUNITY EMPOWERMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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**Note 1 – Nature of activities and significant accounting policies (continued)**

**Revenue recognition (cont.)** - When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

**Fair value** – Investments are stated at fair value.

The Fund values its investments in accordance with a hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement) when market prices are not readily available or reliable.

The three levels of the hierarchy under fair value measurements are described below:

Level 1: Quoted prices in active markets for identical securities

Level 2: Prices determined using other significant observable inputs, which are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions and would be based on the best information available.

Interest income is recognized as unrestricted revenue unless specifically restricted for use by the donor.

**Accounts receivable** – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Fund provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of the parties to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Fund's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that no allowance is required at December 31, 2018 or 2017.

**Inventory** - Inventory, which consists primarily of computers donated to the organization for purchase by members, is valued at the lower of cost or market determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

THE COMMUNITY EMPOWERMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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**Note 1 – Nature of activities and significant accounting policies (continued)**

**Property and equipment** – Property and equipment are stated at cost if purchased or fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income taxes** - The Fund is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying statements.

**Uncertain tax positions** – The Fund files IRS Form 990. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by the Fund in its tax returns that might be uncertain. The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Fund does not believe the financial statements include any uncertain tax positions and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

**Expense allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statements of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Fund.

**Measure of operations** – The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation’s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs and other activities considered to be of a more unusual or non-recurring nature.

THE COMMUNITY EMPOWERMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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**Note 1 – Nature of activities and significant accounting policies (continued)**

**New accounting pronouncement** – On August 18, 2016, FASB issued ASU 2016-14, *Not for Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Fund has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Pending accounting pronouncements** - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Organization for the year ending December 31, 2019. The adoption of this standard is expected to result in the Organization’s recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. Management is evaluating the impact of this standard on the Fund’s financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Fund has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

ASU 2016-18, (Topic 230): *Statement of Cash Flows – Restricted Cash*, is effective for fiscal years beginning after December 15, 2018. The ASU is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents requiring they be included as components of total cash and cash equivalents as presented on the statement of cash flows.

ASU 2018-08, (Topic 958): *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* is effective for years beginning after December 15, 2019. This ASU is intended to clarify the guidance for classifying resources provided by contributors as contributions or exchange (reciprocal) transactions.

**Note 2 – Cash and cash equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consists of cash and other highly liquid resources with an original maturity of three months or less when purchased.

The Fund maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017, the Fund held \$86,346 and \$92,938 uninsured cash balances, respectively.

THE COMMUNITY EMPOWERMENT FUND  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**Note 2 – Cash and cash equivalents (continued)**

Cash and cash equivalents are comprised of the following as of December 31:

	2018	2017
Cash in banks	\$ 469,541	470,360
Total	\$ 469,541	\$ 470,360

**Note 3 – Investments**

Investments are composed of the following for the years ended December 31, as indicated:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 75,710	\$ 75,710	\$ -	\$ -

Investment income consists of the following for the years ended December 31, as indicated:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 100	\$ -	\$ 100

  

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ -	\$ -	\$ -

Certificates of deposit at December 31, 2018 consisted of a 12 month term certificate of deposit at a financial institution, with an interest rate of 1.55% maturing on May 24, 2019. Investment in certificates of deposit is stated at cost which approximates fair value.

THE COMMUNITY EMPOWERMENT FUND  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

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**Note 4 – Property and equipment, net**

Property and equipment consists of the following as of December 31, 2018 and 2017:

	2018	2017
Equipment	\$ 2,150	\$ 2,150
Furniture and fixtures	1,700	-
Improvements	7,480	7,480
Less accumulated depreciation	(5,747)	(3,715)
Property and equipment, net	\$ 5,583	\$ 5,915

Depreciation expense was \$2,032 and \$1,926 for the years ended December 31, 2018 and 2017, respectively.

**Note 5 – Non-current assets**

Other non-current assets consist of security deposits made by the Fund on the lease of the Fund's offices. These security deposits are refundable at an unspecified future date.

**Note 6 – Deferred revenue**

The Fund records grant awards accounted for as exchange transactions as deferred revenue until related services are performed, at which time they are recorded as unrestricted revenue. The activity in the deferred revenue account was as follows for the years ended December 31:

	2018	2017
Beginning balance	\$ 5,388	\$ 7,875
Funds received	9,665	9,665
Expenditures	(8,554)	(12,152)
Ending balance	\$ 6,499	\$ 5,388

**Note 7 – Members' deposits**

Member's deposits consist of amounts due to members for savings account deposits held on their behalf by the Fund. Members may make withdrawals of these funds with two days notice.



THE COMMUNITY EMPOWERMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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**Note 8 – Grants**

During the years ended December 31, 2018 and 2017, the Fund received grant support from the following sources:

	<u>2018</u>	<u>2017</u>
University grants	\$ 1,800	\$ 29,250
Foundation grants	385,250	258,700
Corporate grants	<u>42,350</u>	<u>42,506</u>
	<u>\$ 429,400</u>	<u>\$ 330,456</u>

**Note 9 – Promises to give**

Unconditional promises to give are included in accounts receivable and at December 31, 2018 consist of \$100,000 restricted for use in 2019. There were no unconditional promises to give at December 31, 2017.

The Fund has received a conditional promise to give of \$200,000 for future general operating support due in payments of \$100,000 each in 2020 and 2021. Since this grant requires the Fund to meet certain conditions, it is not recorded as revenue until the conditions are met.

**Note 10 – Volunteers**

Numerous volunteers donate significant amounts of time to the Fund's program services. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$694,159 and \$530,694 for the years ended December 31, 2018 and 2017, respectively.

**Note 11 – Lease commitments**

During 2016, the Fund leased its office space and equipment under operating lease agreements. Rent expense under the office and equipment leases totaled \$44,143 and \$44,141 for the years ended December 31, 2018 and 2017.

In April 2016, the Fund entered into a lease for a new Chapel Hill office location. The lease commenced April 15, 2016 and expires October 31, 2021. Rent is \$36,000 per year initially with an annual escalation of 3%. The landlord allowed a rent concession until October 15, 2016 with the first escalation commencing November 1, 2017.

In July 2016, the Fund entered into a lease agreement for office space in Durham, North Carolina. The lease commenced on July 1, 2016 and expires June 30, 2019. Rent is \$600 per month under the lease with an annual escalation of 3%.

As a result of certain rent holidays and escalation clauses included in the leases noted above, deferred rent liabilities totaling \$ 12,824 and \$15,308 for 2018 and 2017, respectively, are included in accrued expenses in the statement of financial position.

THE COMMUNITY EMPOWERMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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**Note 11 – Lease commitments (continued)**

Future minimum payments, by year and in aggregate, under operating leases with remaining terms of one year or more are as follows at December 31:

Year Ending December 31	Amount
2019	\$ 42,202
2020	39,535
2021	33,765
	<u>\$ 115,502</u>

**Note 12 – Contingencies**

The Fund receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Fund.

The Fund has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants.

**Note 13 – Board designated net assets**

As of December 31, 2018 and 2017, the Board of Directors designated \$105,971 and \$85,971, respectively of unrestricted net assets to support the mission of the Fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

**Note 14 – In-kind contributions**

The Fund recognizes contribution revenue for donated assets that would be purchased if not donated, at the fair value of those items. Donated assets are recorded as in-kind contributions when received and are expensed in the same year or as property and equipment and depreciated over their remaining useful lives. During the years ended December 31, 2018 and 2017, the Fund received gifts valued at \$4,206 and \$600, respectively.

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**Note 15 – Net assets with donor restrictions**

Net assets with donor restrictions are available for the following at December 31:

	2018	2017
<u>Subject to expenditure for a specific purpose:</u>		
Programs	\$ 205,946	\$ 32,179
Matching reserves	6,484	10,359
	212,430	42,538
<u>Subject to the passage of time:</u>		
For periods after December 31	100,000	-
Net assets with donor restrictions	<u>\$ 312,430</u>	<u>\$ 42,538</u>

**Note 16 – Net assets released from restrictions**

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the grant awards or by passage of time. Net assets released from restrictions consisted of the following at December 31:

	2018	2017
<u>Subject to expenditure for specified purpose:</u>		
Programs	\$ 49,000	\$ 21,451
Savings matches	2,437	2,671
Pledged Member Support	1,106	1,788
	<u>\$ 52,543</u>	<u>\$ 25,910</u>

**Note 17 – Liquidity**

The Fund’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 248,693
Investments	75,710
Accounts receivable	124,121
	<u>\$ 448,524</u>

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**Note 17 – Liquidity (continued)**

The Fund's financial assets have been reduced by amounts not available for general use because of donor imposed or other restrictions within one year of the balance sheet date. As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**Note 18 – Subsequent events**

The Fund has evaluated events from the date of the statement of financial position through April 28, 2019, the date the report is available to be issued which is the date of the auditor's report. The Fund has not evaluated subsequent events after that date.