

THE COMMUNITY EMPOWERMENT FUND

AUDITED FINANCIAL STATEMENTS

December 31, 2021

THE COMMUNITY EMPOWERMENT FUND

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Mark S. Danes, CPA, PLLC

Certified Public Accountant and Consultant

Independent Auditor's Report

Board of Directors and Management
The Community Empowerment Fund
Chapel Hill, North Carolina

Opinion

We have audited the accompanying financial statements of The Community Empowerment Fund (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mark S. Danes, CPA, PLLC

March 14, 2022

The Community Empowerment Fund
Statement of Financial Position
December 31, 2021

Assets

Cash and cash equivalents	\$ 1,118,619
Grants receivable	176,229
Inventory	2,387
Prepaid expenses	1,391
Security deposit	2,485
Property and equipment, net	<u>144</u>

Total assets	<u><u>\$ 1,301,255</u></u>
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Liabilities and Net Assets

Liabilities

Accounts payable	\$ 8,125
Accrued expenses	12,219
Payroll withholdings	14,293
Members' deposits and savings matches	<u>115,654</u>

Total liabilities	<u>150,291</u>
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Net Assets

Without donor restrictions	
Available for operations	509,011
Board-designated operating reserve	539,453
With donor restrictions	<u>102,500</u>

Total net assets	<u>1,150,964</u>
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Total liabilities and net assets	<u><u>\$ 1,301,255</u></u>
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See accompanying notes to financial statements.

The Community Empowerment Fund
Statement of Activities
For the Year Ended December 31, 2021

Without donor restrictions

Support and Revenue	
Contributions and grants	\$ 1,072,148
Other revenue	1,584
Net assets released from restrictions	<u>-</u>
Total support, revenue and reclassifications	<u>1,073,732</u>
 Expenses	
Program services	
Advocate program	586,209
Savings program	70,544
Management and general	110,760
Fundraising	<u>56,793</u>
Total expenses	<u>824,306</u>
Change in net assets without donor restrictions	<u>249,426</u>

With donor restrictions

Support and Revenue	
Contributions and grants	102,500
Net assets released from restrictions	<u>-</u>
Change in net assets with donor restrictions	<u>102,500</u>
 Change in net assets	351,926
 Beginning net assets	<u>799,038</u>
 Ending net assets	<u><u>\$ 1,150,964</u></u>

See accompanying notes to financial statements.

The Community Empowerment Fund
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Advocate Program	Savings Program	Management & General	Fundraising	Total
SALARIES & WAGES	\$ 386,169	\$ 47,489	\$ 71,875	\$ 32,016	\$ 537,550
EMPLOYER PAYROLL TAXES/FEES	28,079	4,387	5,482	1,504	39,452
EMPLOYEE BENEFITS	3,517	366	437	195	4,515
SAVINGS MATCHES	40	4,386	-	-	4,426
PRINTING AND COPYING	1,384	144	1,118	1,070	3,717
FOOD AND DRINKS	3,181	4	22	2	3,209
SUPPLIES & MATERIALS	2,583	31	37	112	2,763
PROGRAM SUPPLIES	4,123	7	8	4	4,143
CLIENT SERVICES	62,629	23	-	-	62,652
OCCUPANCY COSTS	47,638	4,956	6,605	2,638	61,837
POSTAGE	299	5	20	988	1,313
WEBSITES, SOCIAL MEDIA & ONLINE SVC	3,122	1,644	1,225	663	6,653
STAFF & VOLUNTEER DEVELOPMENT	7,951	349	514	186	9,000
INSURANCE, LICENSES & PERMITS	1,730	180	1,410	298	3,618
BANK CHARGES, MISCELLANEOUS	436	208	53	24	721
MARKETING AND OUTREACH	107	-	-	-	107
CONFERENCES & MEMBERSHIPS	21	2	518	1	542
PROFESSIONAL FEES	32,040	6,281	20,768	17,050	76,139
OTHER EXPENSES	1,160	82	665	44	1,951
	<u>\$ 586,209</u>	<u>\$ 70,544</u>	<u>\$ 110,760</u>	<u>\$ 56,793</u>	<u>\$ 824,306</u>

See accompanying notes to financial statements.

The Community Empowerment Fund
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows From Operating Activities	
Change in net assets	\$ 351,926
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,314
Forgiven debt	(94,636)
Changes in assets and liabilities:	
Grants receivable	(108,349)
Accounts receivable	22,330
Prepaid expenses	3,377
Accounts payable	6,832
Accrued expenses and withholdings	3,943
Members' deposits and savings matches	18,645
Net cash provided by (used in) operating activities	<u>205,382</u>
Cash, cash equivalents and restricted cash at start of year	<u>913,237</u>
Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 1,118,619</u></u>
Supplemental Disclosures	
Cash paid for interest	<u>\$ -</u>
Cash paid for taxes	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

The Community Empowerment Fund
Notes to Financial Statements
December 31, 2021

Note 1 - Nature of Activities

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

The following is a brief description of the Organization's program services:

Advocate Program – Connects homeless and near-homeless individuals with supportive community resources (e.g. employment, food, health, financial services). Specific outcomes include assisting individuals in gaining new employment and benefits and assisting households in making successful transitions from homelessness.

Savings Program – Enables homeless and near-homeless individuals to save towards personal saving goals by providing goal oriented, matched savings accounts and personalized money management assistance. The program also provides low-income individuals with financial coaching, job readiness training and relationship-based support for achieving greater financial stability.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

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 Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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 Organization or by the passage of time. Other donor restrictions may be permanent in nature, whereby the donor have stipulated the funds be maintained in perpetuity.

The Community Empowerment Fund
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Restricted Cash

As a general rule, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There was no restricted cash for the period presented.

The cash and cash equivalents accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and may at times exceed the federally insured limits. At December 31, 2021, cash deposits totaling \$266,363 were not covered by the FDIC. The Organization has never experienced any losses in such accounts.

Receivables, Promises to Give and Revenue Recognition

Receivables are stated at the amount management expects to collect from balances outstanding at year's end. The Organization uses the allowance method to determine uncollectible receivables and promises to give. The allowance is based on prior years' experience and management's analysis of specific amounts outstanding at year's end. For the year presented, no allowance was considered necessary.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or 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.

Property and Equipment

Property and equipment is stated at cost for purchased assets and at fair market value on the date of the gift for donated assets. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are restricted contributions.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5-7 years). Maintenance, repairs and small equipment purchases are charged to expense when incurred. Betterments and renewals in excess of \$1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation amounts are removed and any gain or loss is recorded.

The Community Empowerment Fund
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and classified as a public charity under 170(b)(1)(A)(vi). It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. It is responsible for unrelated business income, if any.

No provision has been made for income taxes in the financial statements. Furthermore, the Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The IRS Form 990 and other tax returns generally remain subject to examination by the taxing authorities for three years after they are filed.

General Expenditures

The Organization considers the costs related to its normal activities to be general expenditures unless such costs are limited by the donors for specified, restricted purposes. Accordingly, the related resources for the latter have been excluded in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The allocation of salaries, wages, benefits, payroll taxes and all other material common costs are based on time and effort studies of staff members. The remaining amounts on the statement of functional expenses are allocated based on approximate direct usage.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases*. ASU 2016-02 changes how an entity reports and measures all leases of property, plant, and equipment. The ASU is effective for annual periods beginning after December 15, 2021. Management is evaluating the impact the update will have on the Organization's financial statements.

Note 3 - Grants Receivable

Grants receivable represent consideration from various entities and individuals, of which the Organization has an unconditional right to receive. The amounts due range up to \$87,500 each at December 31, 2021. All of the balances are expected to be collected within one year of the statement of financial position date.

The Community Empowerment Fund
Notes to Financial Statements
December 31, 2021

Note 4 - Conditional Grants

Four grantors have made funds available totaling approximately \$72,000 based on the Organization's ability to perform specific services in years 2022 through 2023. No portion of this amount has been reflected as revenue or net assets in the accompanying financial statements.

Note 5 - Lease Agreements

On April 15, 2016, the Organization entered into a lease for a Chapel Hill office location that was renewed on October 31, 2021. It is now set to expire on October 31, 2026.

Effective December 1, 2019, the Organization entered into a lease agreement for office space in Durham, North Carolina. The lease expires on November 30, 2022 and contains an option to extend the lease for an additional 36-month period.

While both leasing arrangements contain annual escalation provisions, the deferred rent liability associated with them at December 31, 2021 is not significant.

Future minimum rent payments for these leases are as follows for the years ending December 31:

2022	\$ 63,943
2023	43,201
2024	44,497
2025	45,832
2026	<u>39,143</u>
Total	<u>\$ 236,615</u>

Note 6 - Members' Deposits and Savings Matches

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

Note 7 - Forgivable Loan from the Small Business Administration

In April 2020, the Organization received a forgivable loan of \$94,636 under the Paycheck Protection Program (PPP) implemented by the Small Business Administration (SBA) with support from the U.S. Department of the Treasury.

The Organization believes that the loan was, in substance, a conditional contribution. It was formally forgiven in the Summer of 2021 and taken into revenue at that time.

The Community Empowerment Fund
Notes to Financial Statements
December 31, 2021

Note 8 - Restricted Net Assets

Restricted net assets consist of time-imposed restrictions connected with grants receivable from two organizations totaling \$102,500 at December 31, 2021.

Note 9 - Donated Services

Almost 200 volunteers donate a significant amount of time as volunteers Advocates. These Advocates are paired with CEF Members to support them in setting and achieving goals around employment, housing, and finances. Advocates have access to the Organization's own targeted financial tools and resource database to assist in connecting to community resources. Advocates and Members build powerful and transformative relationships as they work on these goals. Although no amounts have been reflected in the financial statements, based on the number of meetings held and average length of a meeting management estimates that approximately 17,500 hours were donated and that the fair value of those services was approximately \$499,000 for the year ended December 31, 2021.

Note 10 - Contingencies

Financial assistance from various awarding agencies is subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions.

Management is not aware of any disallowable costs or instances of noncompliance with grantor restrictions. Consequently, no provision has been made for liabilities, if any, that may arise from such audits.

Note 11 - Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2021:

Cash and cash equivalents	\$	1,118,619
Grants receivable		<u>176,229</u>
Total financial assets		1,294,848
Less amounts not available to be used within one year:		
Net assets with donor restrictions		102,500
Less net assets with time restrictions to be met in less than a year		<u>(102,500)</u>
Board-designated operating reserve		<u>539,453</u>
		<u>539,453</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u><u>755,395</u></u>

The Organization's goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$205,680). As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds.

The Community Empowerment Fund
Notes to Financial Statements
December 31, 2021

Note 12 - Subsequent Events

In early 2022, the Organization established a defined contribution retirement plan for its staff. Employees will be able to make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2021 through March 14, 2022, which is the date these financial statements were available to be issued, and has determined that there are no other subsequent events that require disclosure.