

HEALTHY CHARLOTTE ALLIANCE, INC.

FINANCIAL STATEMENTS

MAY 31, 2017

Healthy Charlotte Alliance, Inc.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Healthy Charlotte Alliance, Inc.
Charlotte, North Carolina

We have reviewed the accompanying financial statements of Healthy Charlotte Alliance, Inc., (the "Alliance" - a nonprofit corporation), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Alliance's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously reviewed Alliance's 2016 financial statements, and our report dated August 3, 2016, stated that we were not aware of any material modifications needed for them to be in conformity with U.S. generally accepted accounting principles. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2016, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
July 31, 2017

Healthy Charlotte Alliance, Inc.**Statement of Financial Position****May 31, 2017**

| | May 31, | |
|--|---------------------|---------------------|
| | 2017 | 2016 |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 32,477 | \$ 22,584 |
| Investments | 1,761,290 | 1,652,283 |
| Accounts receivable | 397 | 624 |
| Prepaid expenses | - | 832 |
| <i>Total Current Assets</i> | 1,794,164 | 1,676,323 |
| <i>TOTAL ASSETS</i> | \$ 1,794,164 | \$ 1,676,323 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 451 | \$ 1,103 |
| Deferred revenue | - | 350 |
| <i>Total Liabilities</i> | 451 | 1,453 |
| Net Assets: | | |
| Unrestricted net assets | 1,793,629 | 1,674,786 |
| Temporarily restricted | 84 | 84 |
| <i>Total Net Assets</i> | 1,793,713 | 1,674,870 |
| <i>TOTAL LIABILITIES AND NET ASSETS</i> | \$ 1,794,164 | \$ 1,676,323 |

Healthy Charlotte Alliance, Inc.**Statement of Activities****Year Ended May 31, 2017**

| | Year Ended May 31, 2017 | | | Prior Year Comparative Totals |
|--|-------------------------|---------------------------|---------------------|-------------------------------------|
| | Unrestricted | Temporarily Restricted | Totals | |
| <u>REVENUES AND GAINS</u> | | | | |
| Contributions | \$ 10,867 | \$ - | \$ 10,867 | \$ 11,002 |
| Memberships | 8,225 | - | 8,225 | 8,290 |
| Meeting fees | 5,170 | - | 5,170 | 3,743 |
| Special events (net of \$12,809 direct benefit) | 45,481 | - | 45,481 | 3,260 |
| Other income | - | - | - | 1,170 |
| Investment income | 155,087 | - | 155,087 | (36,139) |
| <i>Total Revenue</i> | 224,830 | - | 224,830 | (8,674) |
| <u>EXPENSES</u> | | | | |
| Program | 87,121 | - | 87,121 | 87,692 |
| Management and general | 13,386 | - | 13,386 | 15,258 |
| Fundraising | 5,480 | - | 5,480 | 6,269 |
| <i>Total Expenses</i> | 105,987 | - | 105,987 | 109,219 |
| <i>CHANGE IN NET ASSETS</i> | 118,843 | - | 118,843 | (117,893) |
| <i>NET ASSETS, BEGINNING</i> | 1,674,786 | 84 | 1,674,870 | 1,792,763 |
| <i>NET ASSETS, ENDING</i> | \$ 1,793,629 | \$ 84 | \$ 1,793,713 | \$ 1,674,870 |

Healthy Charlotte Alliance, Inc.**Statement of Functional Expenses****Year Ended May 31, 2017**

| | Year Ended May 31, 2017 | | | | Prior year Comparative Totals |
|----------------------------|-------------------------|---------------------------|------------------|-------------------|-------------------------------------|
| | Program Services | Management and General | Fundraising | Totals | |
| EXPENSES | | | | | |
| Grants disbursed | \$ 75,000 | \$ - | \$ - | \$ 75,000 | \$ 70,000 |
| Holiday House | - | - | 12,809 | 12,809 | - |
| Contract services | 7,738 | 2,880 | 455 | 11,073 | 11,065 |
| Meetings | 2,045 | 2,045 | 2,044 | 6,134 | 5,823 |
| Website services | 1,040 | 1,040 | 1,040 | 3,120 | 5,459 |
| Accounting | - | 1,500 | - | 1,500 | 4,500 |
| Other health projects | - | - | - | - | 3,616 |
| Occupancy | 972 | 972 | 972 | 2,916 | 3,102 |
| Insurance | - | 2,824 | - | 2,824 | 1,992 |
| Printing | 72 | 73 | 73 | 218 | 1,574 |
| Miscellaneous | 32 | 32 | 32 | 96 | 803 |
| Bank service fees | - | 533 | - | 533 | 399 |
| Marketing | - | - | 642 | 642 | 328 |
| Office supplies | 171 | 171 | 171 | 513 | 296 |
| Postage | 51 | 51 | 51 | 153 | 212 |
| Administrative | - | 1,213 | - | 1,213 | - |
| Licenses and permits | - | 52 | - | 52 | 50 |
| TOTAL EXPENSES | \$ 87,121 | \$ 13,386 | \$ 18,289 | \$ 118,796 | \$ 123,094 |
| Less - Special Event Costs | | | | | |
| Deducted from Revenue | - | - | 12,809 | 12,809 | - |
| NET EXPENSES | \$ 87,121 | \$ 13,386 | \$ 5,480 | \$ 105,987 | \$ 123,094 |

Healthy Charlotte Alliance, Inc.**Statement of Cash Flows****Year Ended May 31, 2017**

| | Year Ended May 31, | |
|---|-----------------------|------------------------|
| | 2017 | 2016 |
| <u>OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 118,843 | \$ (117,893) |
| Adjustments to reconcile changes in net assets to cash flows from operating activities: | | |
| Realized and unrealized loss on fair value of marketable securities | (121,743) | 75,829 |
| Decrease in operating assets: | | |
| Sales tax receivable | 227 | 315 |
| Prepaid expenses | 832 | 45 |
| Increase in operating liabilities: | | |
| Accounts payable and accrued expenses | (652) | 634 |
| Deferred revenue | (350) | 350 |
| | <u>(2,843)</u> | <u>(40,720)</u> |
| <i>Cash Flows from Operating Activities</i> | <i>(2,843)</i> | <i>(40,720)</i> |
| <u>INVESTING ACTIVITIES</u> | | |
| Purchases of marketable securities | (48,887) | (1,773,318) |
| Proceeds from sale and maturities of investments | 61,623 | 1,761,604 |
| | <u>12,736</u> | <u>(11,714)</u> |
| <i>Cash Flows from Investing Activities</i> | <i>12,736</i> | <i>(11,714)</i> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 9,893 | (52,434) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 22,584 | 75,018 |
| CASH AND CASH EQUIVALENTS, ENDING | \$ 32,477 | \$ 22,584 |

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Healthy Charlotte Alliance, Inc., (the “Alliance”) is a nonprofit North Carolina corporation formed on April 8, 1983, whose purpose is to provide financial aid to support health related charitable, scientific and educational programs in Mecklenburg County. Before June 8, 2017, The Alliance was known as the Mecklenburg Medical Alliance and Endowment, Inc.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are from unrestricted contributions and income and are available for use as designated by the Board of Directors, including current operating expenses.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Alliance and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and report in the statement of activities as net assets released from restriction.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Alliance. At May 31, 2017, the Alliance had no permanently restricted net assets and accordingly, these financial statements do not reflect any activity related to that class of net assets.

Contributions

The Alliance reports gifts of cash and other assets as temporarily restricted revenue if they are received with donor stipulations that limit the use of the donated assets. However, restricted contributions whose restrictions are accomplished in the same accounting period are recorded as unrestricted.

Cash and cash equivalents

Cash consists of cash on hand and cash in checking and investment deposit accounts.

Investments

The Alliance carries investments in marketable securities with readily determinable fair values at the fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Alliance recorded no contributed services or donated goods.

Federal income tax status

The Alliance is a not-for-profit Alliance that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – FAIR VALUE MEASUREMENTS

Current accounting standards require fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Alliance's investments are classified as Level 1 assets.

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2017

NOTE C – INVESTMENTS

Investments

Investments are reported at fair value in accordance with generally accepted accounting principles. Investments consist of the following as of May 31, 2017:

| | |
|--------------|---------------------|
| Equities | \$ 1,070,481 |
| Fixed income | 494,444 |
| Bond funds | 98,723 |
| Other funds | 26,238 |
| Equity funds | <u>71,404</u> |
| TOTAL | <u>\$ 1,761,290</u> |

Investment income

Investment income of \$155,087 consists of interest and dividends of \$48,887, realized and unrealized capital gains of \$121,743, net of investment expenses of \$15,543.

NOTE D – RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2017, are comprised of cash and consist of a purpose restricted donation related to Lucky Hearts for \$84.

NOTE E – GRANTS

The Alliance's By-Laws provide the Board of Directors shall distribute in each fiscal year an amount equal to five percent of the average of the fair market value of their investment fund account for the investment fund's three previous fiscal years. If advisable due to substantial investment market place and economic changes, the Board of Directors shall have the discretion to modify the five percent distribution rate as it deems necessary. For the year ended May 31, 2017, the Board of Directors approved 4.25% due to market performance.

NOTE F – CONCENTRATIONS OF RISK

Investments

Investments are insured by the Securities Investor Protection Corporation up to \$500,000. The Alliance invests in a variety of investments, which are subject to fluctuations in market values and expose the Alliance to a certain degree of investment risk.

Geographic area

The Alliance operates in a small geographic area and, is therefore sensitive to changes in the local economy.

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2017

NOTE G - SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events from the date of the statement of financial position through the date of the review report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.