

HEALTHY CHARLOTTE ALLIANCE, INC.

FINANCIAL STATEMENTS

MAY 31, 2020

Healthy Charlotte Alliance, Inc.

Table of Contents

May 31, 2020

	Page
Independent Accountants' Review Report	1
Reviewed Financial Statements:	
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

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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, 2020, 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 engagement 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 accounting principles generally accepted in the United States of America. 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 the Alliance's 2019 financial statements, and our report dated July 10, 2019, stated that we were not aware of any material modifications needed for them to be in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
June 19, 2020

Healthy Charlotte Alliance, Inc.**Statement of Financial Position****May 31, 2020, with prior year comparative totals**

	May 31,	
	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 22,878	\$ 23,680
Investments	1,870,493	1,815,382
Sales tax receivable	175	751
Prepaid expenses	-	698
<i>Total Current Assets</i>	<i>1,893,546</i>	<i>1,840,511</i>
<i>TOTAL ASSETS</i>	<i>\$ 1,893,546</i>	<i>\$ 1,840,511</i>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 628
<i>Total Liabilities</i>	<i>-</i>	<i>628</i>
Net Assets:		
Without donor restrictions:		
Undesignated	12,605	7,921
Board-designated	1,880,941	1,831,962
<i>Total Net Assets</i>	<i>1,893,546</i>	<i>1,839,883</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 1,893,546</i>	<i>\$ 1,840,511</i>

Healthy Charlotte Alliance, Inc.**Statement of Activities****Year Ended May 31, 2020, with prior year comparative totals**

	May 31,	
	2020	2019
<u>REVENUES AND GAINS</u>		
Contributions	\$ 5,357	\$ 10,503
Memberships	19,225	7,350
Program fees	4,970	14,512
Special events (net of \$1,197 direct benefit)	28,073	21,118
Investment income	145,004	76,042
<i>Total Revenue and Gains</i>	<i>202,629</i>	<i>129,525</i>
<u>EXPENSES</u>		
Program	126,048	119,662
Management and general	18,272	15,856
Fundraising	4,646	3,999
<i>Total Expenses</i>	<i>148,966</i>	<i>139,517</i>
<i>CHANGE IN NET ASSETS</i>	<i>53,663</i>	<i>(9,992)</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,839,883</i>	<i>1,849,875</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,893,546</i>	<i>\$ 1,839,883</i>

Healthy Charlotte Alliance, Inc.**Statement of Functional Expenses****Year Ended May 31, 2020, with prior year comparative totals**

	Year Ended May 31, 2020				Prior year Comparative Totals
	Program Services	Management and General	Fundraising	Totals	
EXPENSES					
Grants	\$ 77,000	\$ -	\$ -	\$ 77,000	\$ 70,000
Contract services	36,241	12,878	2,165	51,284	39,229
Community classroom	2,223	-	1,197	3,420	12,564
Holiday party	-	-	-	-	4,576
Programs	5,917	-	-	5,917	3,796
Website services	1,440	-	1,441	2,881	2,962
Accounting	300	1,200	-	1,500	1,500
Occupancy	1,827	2,284	457	4,568	6,688
Insurance	81	726	-	807	853
Miscellaneous	161	60	-	221	214
Bank service fees	221	267	147	635	555
Marketing	-	-	250	250	250
Office supplies	515	680	63	1,258	1,018
Postage	122	122	123	367	402
Licenses and permits	-	55	-	55	52
TOTAL EXPENSES	\$ 126,048	\$ 18,272	\$ 5,843	\$ 150,163	\$ 144,659
Less - Special Event Costs					
Deducted from Revenue	-	-	1,197	1,197	5,142
NET EXPENSES	\$ 126,048	\$ 18,272	\$ 4,646	\$ 148,966	\$ 139,517

Healthy Charlotte Alliance, Inc.**Statement of Cash Flows****Year Ended May 31, 2020, with prior year comparative totals**

	Year Ended May 31,	
	2020	2019
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 53,663	\$ (9,992)
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Realized and unrealized gain on fair value of marketable securities	(112,763)	(44,061)
Decrease (increase) in operating assets:		
Sales tax receivable	576	(27)
Prepaid expenses	698	3
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(628)	108
Deferred revenue	-	(1,295)
<u>Cash Flows from Operating Activities</u>	<u>(58,454)</u>	<u>(55,264)</u>
<u>INVESTING ACTIVITIES</u>		
Purchases of investments	(56,324)	(48,649)
Proceeds from sale of investments	113,976	114,878
<u>Cash Flows from Investing Activities</u>	<u>57,652</u>	<u>66,229</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(802)</u>	<u>10,965</u>
<u>CASH AND CASH EQUIVALENTS, BEGINNING</u>	<u>23,680</u>	<u>12,715</u>
<u>CASH AND CASH EQUIVALENTS, ENDING</u>	<u>\$ 22,878</u>	<u>\$ 23,680</u>

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2020

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.

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:

- *Net assets without donor restrictions* – are those currently available for use in the day-to-day operations of the Alliance. Board-designated net assets represent the Alliance’s endowment account, which is designated by the Board of Directors for purposes other than operations.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations. These net assets may be temporarily restricted, with restrictions being met either by actions of the Alliance or the passage of time or permanently restricted, which are subject to donor-imposed stipulations that they be maintained permanently by the Alliance. As of May 31, 2020, the Alliance had no net assets with donor restrictions.

Contributions

The Alliance reports gifts of cash and other assets as net assets with donor restrictions 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 net assets without donor restrictions.

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, 2020

Use of estimates

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

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.

Functional allocation of expenses

The Alliance's activities are focused in three functional areas. Program services represent the primary focus of the Alliance's activities. Supporting services are fundraising activities and management and general activities. The major expenses that are allocated include contract services, occupancy, and events (Community Health and Holiday House). Contract services are allocated based on the individual contract services being performed. Occupancy is allocated based on the actual usage of the facility. Events are allocated based on the amount of program activities at the event and the remainder is allocated to fundraising. All other expenses are based on an estimate by the board and management.

Federal income tax status

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

Recent adoption of accounting pronouncements

During the year ended May 31, 2020, the Alliance adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" ("*ASU 2014-09*"). The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Alliance was not affected by the implementation of ASU 2014-09.

Prior-year comparative totals

The financial statements include certain prior year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Alliance's 2019 financial statements from which the summarized information was derived. Certain prior-year amounts have been reclassified to conform to the current year presentation.

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2020

NOTE B – INVESTMENTS

Investments

Investments are reported at fair value in accordance with generally accepted accounting principles. Investments consist of the following as of May 31, 2020:

Equities	\$ 985,228
Fixed income	611,988
Exchange-traded funds	200,224
Bond funds	47,235
Other assets	<u>25,818</u>
TOTAL	<u>\$ 1,870,493</u>

Investment income

Investment income of \$145,004 consists of interest and dividends of \$49,218, realized and unrealized capital gains of \$112,763, net of investment expenses of \$16,977.

NOTE C – 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.

NOTE D – GRANTS

The Alliance's bylaws 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, 2020, the Board of Directors approved 4.2% due to market performance.

Healthy Charlotte Alliance, Inc.

Notes to Financial Statements

May 31, 2020

NOTE E – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Alliance’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. In addition, the Alliance manages its expenditures to minimize excess cash. To help manage unanticipated liquidity needs, the Alliance, with the recommendation of the Finance Committee and approval by the Board, may transfer earnings from its endowment to operations. Excess cash in the endowment is reinvested at the discretion of the Alliance’s investment advisors. The Alliance has an endowment valued at \$1,870,493 on May 31, 2020, and none of those funds are restricted. The Alliance also has cash on hand of \$22,878 that is available for general expenditures.

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.

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, except for the COVID-19 pandemic. At this point, the full impact of this pandemic on the Alliance is unknown, but the board and management believe that it could negatively impact its support and revenue in 2020, as well as investment values.