

**FLORENCE CRITTENTON SERVICES, INC.**

**Financial Statements**

**With Independent Auditors' Report**

**June 30, 2023**

**(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)**

# FLORENCE CRITTENTON SERVICES, INC.

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DODSON, SHELTON & NELSON, P.A.  
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Florence Crittenton Services, Inc.  
Charlotte, North Carolina

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Florence Crittenton Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 present fairly, in all material respects, the financial position of Florence Crittenton Services, Inc. as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Florence Crittenton Services, Inc. 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 opinions.

***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 Florence Crittenton Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 and *Government 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 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 and *Government 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 Florence Crittenton Services, Inc.'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 Florence Crittenton Services, Inc.'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.

### ***Report on Summarized Comparative Information***

We have previously audited Florence Crittenton Services, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of Florence Crittenton Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Florence Crittenton Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florence Crittenton Services, Inc.'s internal control over financial reporting and compliance.

*Dodson, Shelton & Nelson, P.A.*

February 5, 2024  
Greensboro, North Carolina

# FLORENCE CRITTENTON SERVICES, INC.

## Statement of Financial Position

June 30, 2023

(With Comparative Financial Information as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 363,846	\$ 1,289,725
Restricted cash	1,971,709	2,370,398
Receivables:		
Fees from government agencies	112,142	71,264
Contributions, net	389,347	443,352
Employment Retention Tax Credit	668,236	-
Other	7,176	7,874
Inventory	<u>4,399</u>	<u>4,399</u>
<b>Total current assets</b>	3,516,855	4,187,012
<b>Contributions receivable, net</b>	350,670	648,982
<b>Investments</b>	2,984,806	2,574,037
<b>Property and equipment, net</b>	2,115,550	2,113,264
<b>Right of use assets - operating leases</b>	436,709	-
<b>Endowments controlled by Foundation</b>	<u>196,196</u>	<u>189,973</u>
<b>Total assets</b>	<u>\$ 9,600,786</u>	<u>\$ 9,713,268</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 24,338	\$ 2,148,804
Accrued payroll expenses	59,363	49,437
Accrued compensated absences	60,051	61,199
Current portion of operating lease liabilities	<u>45,884</u>	<u>-</u>
<b>Total current liabilities</b>	189,636	2,259,440
Operating lease liabilities, less current portion	<u>390,825</u>	<u>-</u>
<b>Total liabilities</b>	<u>580,461</u>	<u>2,259,440</u>
<b>Net assets</b>		
Without donor restrictions	5,304,414	3,688,977
With donor restrictions	<u>3,715,911</u>	<u>3,764,851</u>
<b>Total net assets</b>	9,020,325	7,453,828
<b>Total liabilities and net assets</b>	<u>\$ 9,600,786</u>	<u>\$ 9,713,268</u>

*The accompanying notes to financial statements are an integral part of this statement.*

# FLORENCE CRITTENTON SERVICES, INC.

## Statement of Activities

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Total 2022</u>
<b>SUPPORT AND REVENUE</b>				
<b>Support</b>				
Contributions	\$ 122,546	\$ -	\$ 122,546	\$ 170,017
United Way	34,294	37,500	71,794	70,411
Grants	684,451	-	684,451	465,034
<b>Revenue</b>				
Program service fees:				
Governmental agencies	1,557,294	-	1,557,294	1,071,242
Other	13,557	-	13,557	910
Investment income, net	195,519	69,517	265,036	(373,344)
Employee Retention Tax Credit	668,236	-	668,236	-
Paycheck Protection Program loan forgiveness	-	-	-	240,838
Special events	190,934	-	190,934	188,007
Total operating support and revenue	<u>3,466,831</u>	<u>107,017</u>	<u>3,573,848</u>	<u>1,833,115</u>
<b>Net Assets Released from Donor Restrictions</b>	<u>526,213</u>	<u>(526,213)</u>	<u>-</u>	<u>-</u>
<b>Total Operating Support and Other Revenue</b>	<u>3,993,044</u>	<u>(419,196)</u>	<u>3,573,848</u>	<u>1,833,115</u>
<b>Expenses</b>				
Program services	2,119,563	-	2,119,563	1,824,738
Management and general	110,142	-	110,142	91,942
Fundraising	153,579	-	153,579	135,847
<b>Total Operating Expenses</b>	<u>2,383,284</u>	<u>-</u>	<u>2,383,284</u>	<u>2,052,527</u>
<b>Change in Net Assets From Operating Activities</b>	<u>1,609,760</u>	<u>(419,196)</u>	<u>1,190,564</u>	<u>(219,412)</u>
Capital campaign contributions	-	367,375	367,375	3,402,551
Endowment investment income, net	-	11,900	11,900	(22,813)
Capital campaign expenses	(3,342)	-	(3,342)	(45,052)
Net assets released from donor restrictions	9,019	(9,019)	-	-
<b>Change in Net Assets</b>	<u>1,615,437</u>	<u>(48,940)</u>	<u>1,566,497</u>	<u>3,115,274</u>
<b>Net assets at beginning of year</b>	<u>3,688,977</u>	<u>3,764,851</u>	<u>7,453,828</u>	<u>4,338,554</u>
<b>Net assets at end of year</b>	<u>\$ 5,304,414</u>	<u>\$ 3,715,911</u>	<u>\$ 9,020,325</u>	<u>\$ 7,453,828</u>

*The accompanying notes to financial statements are an integral part of this statement.*

# FLORENCE CRITTENTON SERVICES, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	<u>Residential Maternity</u>	<u>PALS</u>	<u>Maternity</u>	<u>Mother/ Child</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries and wages	\$ 808,971	\$ 75,613	\$ 81,940	\$301,104	\$ 47,983	\$ 32,213	\$1,347,824	\$1,177,940
Payroll taxes	50,701	4,739	5,136	18,871	3,007	2,019	84,473	81,478
Employee benefits	104,298	9,748	10,564	38,820	6,186	4,153	173,769	149,655
Total personnel	<u>963,970</u>	<u>90,100</u>	<u>97,640</u>	<u>358,795</u>	<u>57,176</u>	<u>38,385</u>	<u>1,606,066</u>	<u>1,409,073</u>
Food	66,580	5,781	7,441	561	58	47	80,468	56,742
Repairs and maintenance -								
buildings	93,091	-	10,054	12,503	3,126	6,251	125,025	23,138
vehicles and equipment	5,581	-	1,878	1,699	6,795	3,398	19,351	7,840
Utilities	61,642	1,283	6,653	8,434	2,108	4,217	84,337	89,172
Supplies	12,203	445	1,741	1,894	4,436	735	21,454	26,584
Professional fees	24,309	363	2,332	3,390	23,065	46,857	100,316	71,428
Insurance	37,624	4,994	4,047	5,656	1,414	2,828	56,563	45,705
Technology	9,928	-	923	837	3,339	1,668	16,695	37,171
Equipment leases	11,215	1,713	1,205	1,713	428	857	17,131	18,689
Transportation	3,793	540	410	1,178	900	162	6,983	5,618
Interest expense	41	-	4	5	1	3	54	342
Training and education	3,740	783	418	1,484	886	375	7,686	7,299
Client recreation and assistance	7,192	4,804	804	2,687	6	-	15,493	10,351
Special events	-	6,565	-	-	-	41,703	48,268	47,528
Telephone	15,642	-	1,689	2,101	525	1,050	21,007	13,409
Property taxes	34,429	-	3,718	4,624	1,156	2,312	46,239	33,084
Subscriptions and publications	5,075	775	546	775	194	388	7,753	6,866
Building lease	51,000	7,500	-	17,500	-	-	76,000	75,000
Other	6,294	523	492	800	4,221	1,726	14,056	40,705
Depreciation	9,188	-	992	1,234	308	617	12,339	26,783
<b>Total operating expenses</b>	<u>\$ 1,422,537</u>	<u>\$ 126,169</u>	<u>\$142,987</u>	<u>\$427,870</u>	<u>\$ 110,142</u>	<u>\$ 153,579</u>	<u>\$2,383,284</u>	<u>\$2,052,527</u>
Capital campaign expenses	-	-	-	-	928	2,414	3,342	45,052
<b>Total expenses</b>	<u>\$ 1,422,537</u>	<u>\$ 126,169</u>	<u>\$142,987</u>	<u>\$427,870</u>	<u>\$ 111,070</u>	<u>\$ 155,993</u>	<u>\$ 2,386,626</u>	<u>\$2,097,579</u>

*The accompanying notes to financial statements are an integral part of this statement.*

# FLORENCE CRITTENTON SERVICES, INC.

## Statement of Cash Flows

For the Year Ended June 30, 2023

(With Comparative Financial Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,566,497	\$ 3,115,274
Adjustments to reconcile change in net assets to net cash - operating activities:		
Depreciation	12,339	26,783
Contributions restricted to capital campaign	(367,375)	(3,402,551)
Paycheck Protection Program loan forgiveness	-	(240,838)
Unrealized and realized (gains) losses on investments	(188,885)	503,445
Increase in allowance for doubtful accounts	(8,639)	25,404
Increase in discount of contributions receivable	14,570	3,754
Changes in operating assets and liabilities:		
Receivables	(1,073,716)	(268,437)
Inventory	-	(4,399)
Accounts payable	(2,124,466)	40,568
Accrued payroll	9,926	11,250
Accrued compensated absences	(1,148)	9,431
Net cash - operating activities	<u>(2,160,897)</u>	<u>(180,316)</u>
<b>Cash flows from investing activities</b>		
Distributions from endowment	5,677	5,896
Proceeds from the sale of investments	32,985	37,215
Purchase of investments	(266,769)	(162,651)
Purchase of equipment	(14,625)	-
Net cash - investing activities	<u>(242,732)</u>	<u>(119,540)</u>
<b>Cash flows from financing activities</b>		
Proceeds received for capital campaign	1,079,061	3,361,841
Net cash - financing activities	<u>1,079,061</u>	<u>3,361,841</u>
<b>Net change in cash</b>	(1,324,568)	3,061,985
<b>Cash and restricted cash, beginning of year</b>	<u>3,660,123</u>	<u>598,138</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 2,335,555</u>	<u>\$ 3,660,123</u>
<b>Supplemental information</b>		
Interest paid	<u>\$ 54</u>	<u>\$ 342</u>
<b>Reconciliation to Cash Within the Statement of Financial Position</b>		
	<u>2023</u>	<u>2022</u>
Cash	\$ 363,846	\$ 1,289,725
Restricted cash	1,971,709	2,370,398
Total cash	<u>\$ 2,335,555</u>	<u>\$ 3,660,123</u>

*The accompanying notes to financial statements are an integral part of this statement.*



# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

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### 1. NATURE OF OPERATIONS

#### Organization

Florence Crittenton Services, Inc., (the “Organization”) is incorporated under the laws of the State of North Carolina as a nonprofit organization. It was organized in 1903 and opened its first home in 1905. The Organization is located at 3350 Holabird Lane, Charlotte, North Carolina.

#### Vision

The Organization is a client-centered program with comprehensive innovative services to improve the well-being of single pregnant and non-pregnant adolescents, women and their children and families. The Organization provides these services in the city of Charlotte and the greater Mecklenburg County area.

#### Purpose

The mission of the Organization is to promote health and hope for tomorrow’s children by providing comprehensive health, educational pregnancy prevention and social services for single pregnant and non-pregnant adolescents, young women, and their families. The major programs of the Organization are as follows:

*Residential Maternity* – The primary operation of the Organization is a 20 bed, 24-hour residential maternity program for single pregnant women age 10 and older. Through the provision of prenatal and medical care, education, vocational, individual and group counseling, parenting education and adoption support, life skills, and substance abuse intervention, prevention and treatment, the Organization provides an opportunity for vulnerable young mothers to have healthy pregnancies and healthy babies as well as gain new skills and tools to become successful in the future. During the year, the Organization provided 4,248 days of care to 49 maternity clients.

*Sarah’s House Mother-Child Program* – The purpose of this program is to assure a safe, supportive environment in which teen mothers in foster care can acquire the knowledge and skills to become effective parents and learn life skills that promote self-sufficiency. Sarah’s House provides a 24-hour residential program for adolescent mothers (up to the age of 21) and their children who need placement together. During the year, the Organization provided 4,218 days of care to 22 clients (11 moms and 11 babies) in Sarah’s House.

*Aftercare Parenting Education Program (APEP)* – This non-residential home visitation program offers aftercare services for former clients living in Mecklenburg, Gaston, and surrounding counties. Services are provided for up to three years or longer if needed. During the year, 65 family members were served.

*Legacy Hall: Preparation for Adult Living Services (PALS)* – This independent living program focuses on prevention and is designed to aid non-pregnant at-risk females ages 16-21, in breaking the cycle of adolescent pregnancy, child abuse, substance abuse and neglect that is a barrier to healthy adult living. The program serves, in a residential setting, females who are aging out of foster care system. A primary goal of the program is to educate high risk young females and help them develop vocational, life and social skills that will facilitate a positive life outcome for the future. During the year, Legacy Hall/PALS provided 3,147 days of service for 16 clients.

#### Funding Sources

Activities of the Organization are financed by governmental agencies, the United Way, and public and private contributions.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### Revenue Recognition

Contributions are recognized when cash, securities or other assets or an unconditional promise to give is received. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions which increases that net asset class.

The Organization's program service fees are principally funded by public agencies whose funding is subject to annual appropriations. These public agency contracts are fixed fee or unit of service contracts. Revenue is recognized when services are provided. The Organization must submit claims for reimbursement within 90 days of date of service. A claim is subject to review and such a review could result in the disallowance of the claim under the terms of the grant contract. Based on prior experience, management believes that claims ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. All goods and services are transferred at a point in time.

### Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### Accounts Receivables

Receivables consist of reimbursement of sales tax and fees due for services rendered. Receivables are stated at the amount the Organization expects to collect from outstanding balances. Amounts deemed uncollectible are immediately written off but all receivables reported at year end are considered collectible by management.

### Investments

The Organization's investments are carried on the statement of financial position at fair value. Gains and losses on the change in the value of investments are recorded as increases or decreases in the applicable net asset category.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Measure of Operations

The Organization includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities, net assets released from donor restriction to support operating expenditures, and transfers from other non-operating funds to support current operating activities. The measure of operations excludes capital campaign contributions, endowment investment income, and capital campaign expenses.

### Endowments Controlled by Foundation

The Organization established endowment funds with Foundation for the Carolinas (the Foundation) and named the Organization as the beneficiary. The endowments are held and invested by the Foundation for the Organization's benefit and are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

### 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.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. Also, the Organization receives clothing and similar noncash contributions, which are either given to residents or are donated to other nonprofit organizations for distribution. No amounts have been reflected in the financial statements for these contributions as the contributions are either insignificant or do not meet the criteria of recognition.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefitted. Costs that can be identified with a particular program or support function are charged directly to that program or function. Expense allocations, including salaries and benefits, are allocated on the basis of management's estimates of the proportion of these costs applicable to each program and supporting service based on time and effort for each. Rent and depreciation expense are allocated based upon estimates of use.

### 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 certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

### Federal Income Tax Status

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). U.S. generally accepted accounting principles require an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization had no uncertain tax positions as of June 30, 2023 and 2022.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

#### Prior-Year Comparative Totals

The financial statements include prior year summarized information, which is presented for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements, from which the summarized information is derived.

#### Change in Accounting Principle

The Organization has adopted FASB ASC 842, *Leases*, with a date of initial application of July 1, 2022. For leases with a lease term greater than one year, the Organization recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Organization determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use (ROU) assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Organization's statement of financial position at June 30, 2023. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

The Organization elected not to restate the prior period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

### 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, is comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 363,846	\$ 1,289,725
Restricted cash	1,971,709	2,370,398
Receivables	1,176,901	522,490
Total current financial assets	<u>\$ 3,512,456</u>	<u>\$ 4,182,613</u>
Less amounts unavailable for general expenditures within one year:		
Net assets with donor time or purpose restrictions	<u>(2,473,198)</u>	<u>(2,882,864)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,039,258</u>	<u>\$ 1,299,749</u>

### 4. UNCONDITIONAL CONTRIBUTIONS RECEIVABLE

Unconditional contributions for which payment has not been received are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Contribution balances are written off at the time they are determined to be uncollectible. The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. New unconditional contributions are recorded when received. The discount rate to net present value was 3.5% and 2.5% at June 30, 2023 and 2022, respectively.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

### 4. UNCONDITIONAL CONTRIBUTIONS RECEIVABLE, CONCLUDED

Unconditional contributions receivable are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Amount receivable within one year	\$ 406,112	\$ 468,756
Amount receivable in one to five years	381,881	665,623
Total contributions receivable	787,993	1,134,379
Discount to present value for future contributions	(31,211)	(16,641)
Allowance for uncollectible contributions	(16,765)	(25,404)
Contributions receivable, net	<u>\$ 740,017</u>	<u>\$ 1,092,334</u>

### 5. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost if purchased or fair market value if donated, both subject to a \$500 capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is five years. Major classes of property and equipment at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 9,462	\$ 9,462
Construction in progress	2,114,625	2,100,000
Furniture and fixtures	128,748	128,748
Transportation equipment	49,665	49,665
Total property and equipment	2,302,500	2,287,875
Less accumulated depreciation	186,950	174,611
Property and equipment, net	<u>\$ 2,115,550</u>	<u>\$ 2,113,264</u>

### 6. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America define fair value measurements, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements.

The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

*Level I* – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

*Level II* – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

*Level III* – These instruments are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgement or estimation.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

### 6. FAIR VALUE MEASUREMENTS, CONCLUDED

The following methods and assumptions were used to estimate the fair value of the following:

*Mutual funds and exchange traded funds:* valued by readily determinable fair values based on daily redemption values.

*Endowments controlled by foundation:* The fair value of endowments controlled by the Foundation is based upon the Organization's proportionate share of the Foundation's pooled investment portfolio. The Organization's management and Board of Directors review the valuations and returns in comparison to industry benchmarks and other information provided by the Foundation, but do not receive a detailed listing of the holdings in which the Foundation is invested. The Organization uses the net asset value to determine the endowments held by the Foundation using the market approach based upon the Organization's proportionate share of the Foundation's pooled investment portfolio. Distributions are limited to the terms of the Organization's agreement with the Foundation.

The following table presents investment assets measured at fair value on a recurring basis at June 30, 2023 and 2022:

<u>June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Measured at NAV</u>	<u>Total</u>
Mutual funds	\$ 1,452,286	\$ -	\$ -	\$ -	\$ 1,452,286
Cash reserve	167,483	-	-	-	167,483
Exchange traded funds	1,365,037	-	-	-	1,365,037
Endowments controlled by foundation	-	-	-	196,196	196,196
Total	<u>\$ 2,984,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,196</u>	<u>\$ 3,181,002</u>
<u>June 30, 2022</u>					
Mutual funds	\$ 1,549,562	\$ -	\$ -	\$ -	\$ 1,549,562
Cash reserve	13,082	-	-	-	13,082
Exchange traded funds	1,011,393	-	-	-	1,011,393
Endowments controlled by foundation	-	-	-	189,973	189,973
Total	<u>\$ 2,574,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,973</u>	<u>\$ 2,764,010</u>

There were no unfunded commitments within the endowments controlled by the Foundation.

### 7. INVESTMENTS

Investments held at June 30, 2023 and 2022 are classified as trading. All gains and losses from investments have been recognized in the change in net assets in the statement of activities for the years ended June 30, 2023 and 2022. Investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 1,452,286	\$ 1,549,562
Cash reserve	167,483	13,082
Exchange traded funds	<u>1,365,037</u>	<u>1,011,393</u>
	<u>\$ 2,984,806</u>	<u>\$ 2,574,037</u>

At June 30, 2023 and 2022, there is a restricted investment balance of \$320,903 and \$811,678, for facility, program and staff improvements, respectively.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

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### 8. PAYCHECK PROTECTION PROGRAM AND EMPLOYEE RETENTION CREDIT

The Organization applied for and received a loan under the Paycheck Protection Program in the amount of \$240,838 at June 30, 2022. The loan accrued interest at 1%, but payments were not required to begin for six months after the funding of the loan. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal government. During the year ending June 30, 2022, the Organization recognized \$240,838 of loan forgiveness income when the loan was legally released in September 2021.

The Organization is accounting for the employee retention credit proceeds as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities - Revenue Recognition*. Under this guidance, the funds are recognized as contribution revenue as the conditions of forgiveness are substantially met. As of June 30, 2023 and 2022, the Organization had expended 100% of the respective proceeds for eligible expenses during the covered period of the program. As a result, the Organization has recognized grant revenue of \$668,236 and \$0 during the years ended June 30, 2023 and 2022, respectively.

### 9. ENDOWMENTS CONTROLLED BY FOUNDATION

The endowments controlled by foundation consists of funds given to the Organization by donors to establish an endowment to provide annual funding for specific activities and general operations. The Organization has established the Florence Crittenton Services Endowment Fund of the Foundation (FCS Endowment Fund) and the Kimberly Ann Sipes Memorial Endowment Fund of the Foundation (KAS Memorial Endowment Fund). The Organization provided these funds as well as additional funds to the Foundation to hold and invest on its behalf. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization

The Organization's endowment complies with the Foundation's investment policies which attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the assets, to provide the necessary capital to fund the distributions, and to cover the costs of managing the investments.

The Organization's distribution policy is subject to the Foundation's spending policy. Currently, the Foundation's spending policy is that the amount available for distribution on an annual basis is 4.5% of the average ending balance of the fund for the last 3 years, as long as the individual fund balance is greater than 66% of historical dollar value.

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

### 9. ENDOWMENTS CONTROLLED BY FOUNDATION, CONCLUDED

As of June 30, 2023 and 2022, the entire balance of the endowments were donor restricted. Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>With Donor Restrictions</u>
<b>June 30, 2023</b>	
Endowment net assets, beginning of year	\$ 189,973
Net investment earnings	13,437
Investment fees	(1,537)
Distributions	(5,677)
Endowment net assets, end of year	<u>\$ 196,196</u>
<b>June 30, 2022</b>	
Endowment net assets, beginning of year	\$ 218,682
Net investment earnings	(21,127)
Investment fees	(1,686)
Distributions	(5,896)
Endowment net assets, end of year	<u>\$ 189,973</u>

### 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 and 2022 were restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Campaign for Tomorrow's Children	\$ 503,298	\$ 433,781
Kimberly Ann Sipes Memorial Endowment Fund	67,051	63,053
Florence Crittenton Services Endowment Fund	129,145	126,920
Facility, program and staff improvements	320,903	811,678
Capital campaign	2,658,014	2,293,981
United Way contribution - time restricted	37,500	35,438
	<u>\$ 3,715,911</u>	<u>\$ 3,764,851</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Facility, program and staff improvements	\$ 490,775	\$ -
Capital campaign	3,342	2,145,052
United Way contribution - time restricted	35,438	27,500
Florence Crittenton Services Endowment Fund	5,677	5,896
	<u>\$ 535,232</u>	<u>\$ 2,178,448</u>



# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

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### 11. RETIREMENT PLAN

The Organization has established a 401(k) Profit Sharing Plan which covers all full-time and certain part-time employees who have attained the age of 21 and have one year of service. The Organization matches 50% of each employee's deferral up to 5% of the employee's annual salary. For the years ended June 30, 2023 and 2022, the Organization made matching contributions of \$13,134 and \$12,194 to the Plan, respectively.

### 12. OPERATING LEASES

#### Building

The Organization entered into a 10 year lease for their facility starting November 2020, with 4 consecutive renewals, each for a 5 year period. Their annual lease payments will be \$75,000 for the first 10 year period, increasing to \$150,000 annually for the first two renewal periods, then "fair market rental" for the successive two renewal periods. The Organization shall be responsible for all operating expenses of the facility as defined in the lease agreement for the first year of the lease. The Organization, starting in the second year of the lease, is obligated to pay for the following operating expenses; janitorial, utilities and taxes. Lease expense for the years ended June 30, 2023 and 2022 was \$76,000 and \$75,000, respectively.

The lease also provides for a purchase option starting in the seventh year of the lease. The purchase price for the building, per the lease agreement, is \$3,000,000. The Organization also committed to assist with fundraising for the difference between the cost of construction of the facility and the purchase price.

During the year ended June 30, 2022, the Organization received a \$2,200,000 grant, from the North Carolina Office of State Budget and Management, of which \$2,100,000 was to be used for the construction of the facility and the additional \$100,000 was to be used for the parking lot. At June 30, 2023, only \$100,000 remains unspent for the parking lot.

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent, if any. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Other required information for operating leases for the year ended June 30, 2023 is as follows:

Right of use asset	\$ 541,430
Accumulated amortization	<u>(104,721)</u>
Right of use asset, net	<u>\$ 436,709</u>
Lease liabilities	<u>\$ 436,709</u>
Weighted average remaining lease	7.5 years
Weighted average discount rate	7%

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

### 12. OPERATING LEASES, CONCLUDED

Future minimum operating lease payments and reconciliation to the statement of financial position at June 30, 2023 is as follows:

	2024	\$ 75,000
	2025	75,000
	2026	75,000
	2027	75,000
	2028	75,000
	2029	75,000
	2030	75,000
	2031	<u>31,250</u>
	Total lease payments	556,250
	Less effects of discounting	<u>(119,541)</u>
	Total	<u>\$436,709</u>

Required statement of cash flows information for the year ended June 30, 2023 is as follows:

#### Cash paid for amounts included in the measurement of lease liabilities

Operating cash outflows from operating leases	<u>\$ 76,000</u>
Operating right-of-use assets upon ASC 842 implementation	<u>\$ 519,406</u>
Operating lease liabilities upon ASC 842 implementation	<u>\$ 519,406</u>

#### Equipment

The Organization leases vehicles and office equipment under various operating lease agreements. These leases can be cancelled at any time. Lease payments made during the years ended June 30, 2023 and 2022, totaled \$17,132 and \$18,689, respectively, which includes month to month rentals.

### 13. BENEFICIAL INTEREST IN CHARITABLE TRUSTS HELD BY OTHERS

The Organization is beneficiary to the Vance Memorial Fund and is named to receive a proportional share of the assets of this trust in the year 2050. This trust has not been recorded in the Organization's financial statements as it is revocable and the funds are not guaranteed. The Organization also receives a proportional share of income from the trust annually and received \$10,640 and \$10,393 during the years ended June 30, 2023 and 2022, respectively. The fair value of the Organization's proportion of the assets of this trust at June 30, 2023 and 2022 is \$161,144 and \$162,168, respectively.

### 14. SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY

The following noncash investing and financing activity occurred as of or during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Paycheck Protection Program loan forgiveness	<u>\$ -</u>	<u>\$ 240,838</u>
Fixed assets costs included in accounts payable	<u>\$ -</u>	<u>\$ 2,100,000</u>

# FLORENCE CRITTENTON SERVICES, INC.

## Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

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### 15. CONCENTRATIONS OF RISK

#### Credit

The Organization regularly maintains cash balances in excess of insured limits, currently \$250,000, at various local financial institutions. However, management believes that the risk of loss on these accounts is minimal. At June 30, 2023 and 2022, \$1,833,855 and \$3,158,423, respectively, was deposited in excess of the insured amount.

Investments held in financial institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC); however, this insurance does not cover the loss of value of the underlying assets. As disclosed in Note 7, the Organization maintains a variety of investments which are subject to fluctuations in market values and expose the Organization to a certain degree of investment risk.

#### Revenue

During June 30, 2023 and 2022, the Organization received approximately 44% and 55%, respectively, of its operating revenue from contracts with government agencies.

At June 30, 2023, two donors comprise 44% of contributions receivable. At June 30, 2022, three donors comprise 60% of contributions receivable.

#### Geographic Area

The Organization operates in a limited geographic area and is sensitive to changes in the local economy.

### 16. RELATED PARTY TRANSACTIONS

At June 30, 2023 and 2022, contributions receivable from the Board of Directors or their companies and management amounted to \$114,595 and \$134,538, respectively.

During the years ended June 30, 2023 and 2022, the Organization recorded approximately \$16,000 and \$99,000, respectively, in contributions from the Board of Directors or their companies.

### 17. RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### 18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the audit report which is the date the financials were available to be issued.

Subsequent to year end, the state of North Carolina awarded the Organization \$1,270,000 to use for capital improvements and equipment.

**FLORENCE CRITTENTON SERVICES, INC.**  
**Schedule of Expenditures of State Awards**  
**June 30, 2023**

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<b>North Carolina Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Total NC Expenditures</b>
North Carolina Office of State Budget and Management - Loan Guarantee	\$ -
<b>Total Expenditures of North Carolina Awards</b>	<b>\$ -</b>



DODSON, SHELTON & NELSON, P.A.  
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Florence Crittenton Services, Inc.  
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the of Florence Crittenton Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Florence Crittenton Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florence Crittenton Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Florence Crittenton Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Florence Crittenton Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dodson, Shelton & Nelson, P.A.*

Greensboro, North Carolina  
February 5, 2024