CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children and Family Services Center, Inc. and Subsidiary
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of Children and Family Services Center, Inc. and Subsidiary (the Center), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Charlotte, North Carolina
September 12, 2018

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 2,019,123	$ 107,492	$ 2,126,615
Accounts Receivable	43,065	-	43,065
Deferred Rent Receivable	37,060	-	37,060
Other Receivables and Prepaid Assets	132,881	-	132,881
Bargain Use of Land	-	16,800	16,800
Total Current Assets	2,232,129	124,292	2,356,421
PROPERTY AND EQUIPMENT, NET	7,824,536	-	7,824,536
LONG-TERM ASSETS			
Accounts Receivable, Net of Current Portion	5,833	-	5,833
Deferred Rent Receivable, Net of Current Portion	131,818	-	131,818
Utility and Tenants Deposits and Other	8,230	-	8,230
Bargain Use of Land, Net of Current Portion	-	560,000	560,000
Total Long-Term Assets	145,881	560,000	705,881
Total Assets	$ 10,202,546	$ 684,292	$ 10,886,838
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 105,698	$ -	$ 105,698
Current Portion of Notes Payable	188,046	-	188,046
Other Liabilities	91,660	-	91,660
Total Current Liabilities	385,404	-	385,404
LONG-TERM LIABILITIES			
Notes Payable, Net of Current Portion and Debt Issuance Costs	1,123,633	-	1,123,633
Tenant Security Deposits and Other	162,410	-	162,410
Total Long-Term Liabilities	1,286,043	-	1,286,043
Total Liabilities	1,671,447	-	1,671,447
Total Net Assets	8,531,099	684,292	9,215,391
Total Liabilities and Net Assets	$ 10,202,546	$ 684,292	$ 10,886,838

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 2,103,273	$ -	$ 2,103,273
Accounts Receivable	86,389	-	86,389
Deferred Rent Receivable	31,433	-	31,433
Other Receivables and Prepaid Assets	102,132	-	102,132
Bargain Use of Land	-	16,800	16,800
Total Current Assets	2,323,227	16,800	2,340,027
PROPERTY AND EQUIPMENT, NET	7,659,108	-	7,659,108
LONG-TERM ASSETS			
Accounts Receivable, Net of Current Portion	5,177	-	5,177
Deferred Rent Receivable, Net of Current Portion	164,773	-	164,773
Utility and Tenants Deposits and Other	8,076	-	8,076
Bargain Use of Land, Net of Current Portion	-	576,800	576,800
Total Long-Term Assets	178,026	576,800	754,826
Total Assets	$ 10,160,361	$ 593,600	$ 10,753,961
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 173,176	$ -	$ 173,176
Current Portion of Notes Payable	71,572	-	71,572
Other Liabilities	200,499	-	200,499
Total Current Liabilities	445,247	-	445,247
LONG-TERM LIABILITIES			
Notes Payable, Net of Current Portion and Debt Issuance Costs	1,385,627	-	1,385,627
Tenant Security Deposits and Other	18,100	-	18,100
Total Long-Term Liabilities	1,403,727	-	1,403,727
Total Liabilities	1,848,974	-	1,848,974
Total Net Assets	8,311,387	593,600	8,904,987
Total Liabilities and Net Assets	$ 10,160,361	$ 593,600	$ 10,753,961

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
RENTAL ACTIVITY			
Member Agency Tenants	$ 2,409,830	$ -	$ 2,409,830
Other Tenants	274,366	-	274,366
Technical Support Income	163,857	-	163,857
Member Agency Tenants Computer Lease Income	90,570	-	90,570
	2,938,623	-	2,938,623
SHARED SERVICES	914,946	-	914,946
SUPPORT AND OTHER			
Contributions	-	235,447	235,447
Special Events (Net of Direct Costs of $54)	1,857	-	1,857
In-kind Contributions	42,153	-	42,153
Other	32,375	-	32,375
Interest and Dividend Income	4,127	-	4,127
	3,934,081	235,447	4,169,528
Net Assets Released from Restrictions Satisfaction of Purpose Restrictions	144,755	(144,755)	-
Total Rental, Support and Other	4,078,836	90,692	4,169,528
EXPENSES			
Program Services			
Building	2,083,376	-	2,083,376
Collaboration	1,598,253	-	1,598,253
Fiscal Sponsorships	137,852	-	137,852
	3,819,481	-	3,819,481
Supporting Services			
Management and General	39,643	-	39,643
Total Expenses	3,859,124	-	3,859,124
CHANGE IN NET ASSETS	219,712	90,692	310,404
Net Assets - Beginning of Year	8,311,387	593,600	8,904,987
NET ASSETS - END OF YEAR	$ 8,531,099	$ 684,292	$ 9,215,391

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
RENTAL ACTIVITY			
Member Agency Tenants	$ 2,274,804	$ -	$ 2,274,804
Other Tenants	266,489	-	266,489
Technical Support Income	127,834	-	127,834
Member Agency Tenants Computer Lease Income	84,735	-	84,735
	2,753,862	-	2,753,862
SHARED SERVICES	798,638	-	798,638
SUPPORT AND OTHER			
Contributions	1,134	-	1,134
Special Events (Net of Direct Costs of $93,757)	109,974	-	109,974
In-kind Contributions	35,901	-	35,901
Other	11,756	-	11,756
Interest and Dividend Income	592	-	592
	3,711,857	-	3,711,857
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	16,800	(16,800)	-
Total Rental, Support and Other	3,728,657	(16,800)	3,711,857
EXPENSES			
Program Services			
Building	2,047,135	-	2,047,135
Collaboration	1,433,484		1,433,484
Fiscal Sponsorships	121,730	-	121,730
	3,602,349	-	3,602,349
Supporting Services			
Management and General	47,038	-	47,038
	47,038	-	47,038
Total Expenses	3,649,387	-	3,649,387
CHANGE IN NET ASSETS	79,270	(16,800)	62,470
Net Assets - Beginning of Year	8,232,117	610,400	8,842,517
NET ASSETS - END OF YEAR	$ 8,311,387	$ 593,600	$ 8,904,987

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services					
	Building	Collaboration	Fiscal Sponsorships	Totals	Management and General	Totals 2018
Personnel - Wages, Taxes, and Benefits	$ 84,213	$ 1,242,131	$ 12,627	$ 1,338,971	$ 1,863	$ 1,340,834
Professional Services - Finance and Accounting	364	44,447	2,187	46,998	11,529	58,527
Professional Services - Human Resources and Other	-	45,337	6,340	51,677	285	51,962
Professional Services - Legal (In-kind $25,328)	-	25,328	-	25,328	-	25,328
Office Expense (In-kind $16,825)	11,403	24,648	-	36,051	2,735	38,786
Information Technology	-	114,805	-	114,805	-	114,805
Occupancy	560,941	-	-	560,941	-	560,941
Interest	68,674	-	-	68,674	-	68,674
Travel	-	-	-	-	-	-
Conferences, Meetings, Training	1,138	7,779	100	9,017	-	9,017
Depreciation and Amortization	306,601	70,615	-	377,216	-	377,216
Insurance	-	17,405	-	17,405	23,029	40,434
Dues and Memberships	374	4,150	-	4,524	202	4,726
Communications and Public Awareness	-	1,608	-	1,608	-	1,608
Program Support	-	-	116,598	116,598	-	116,598
Rent Credits to Member Agencies	1,049,668	-	-	1,049,668	-	1,049,668
	$ 2,083,376	$ 1,598,253	$ 137,852	$ 3,819,481	$ 39,643	$ 3,859,124

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services					
	Building	Collaboration	Fiscal Sponsorships	Totals	Management and General	Totals 2017
Personnel - Wages, Taxes, and Benefits	$ 105,887	$ 1,007,561	$ 11,166	$ 1,124,614	$ 13,618	$ 1,138,232
Professional Services - Finance and Accounting	2,333	68,251	7,692	78,276	6,089	84,365
Professional Services - Human Resources and Other	862	108,716	-	109,578	390	109,968
Professional Services - Legal (In-kind $35,901)	8,698	27,203	-	35,901	-	35,901
Office Expense	8,930	7,626	-	16,556	2,167	18,723
Information Technology	-	99,445	-	99,445	-	99,445
Occupancy	533,691	-	-	533,691	-	533,691
Interest	74,735	-	-	74,735	-	74,735
Travel	-	20	-	20	-	20
Conferences, Meetings, Training	1,912	8,268	-	10,180	125	10,305
Depreciation and Amortization	277,528	85,235	-	362,763	-	362,763
Insurance	-	14,596	-	14,596	23,538	38,134
Dues and Memberships	105	4,014	-	4,119	411	4,530
Communications and Public Awareness	1,094	2,549	-	3,643	700	4,343
Program Support	-	-	102,872	102,872	-	102,872
Rent Credits to Member Agencies	1,031,360	-	-	1,031,360	-	1,031,360
	$ 2,047,135	$ 1,433,484	$ 121,730	$ 3,602,349	$ 47,038	$ 3,649,387

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 310,404	$ 62,470
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	356,444	343,629
Amortization	16,800	16,800
Amortization - Lease Commission	3,972	2,334
Amortization - Debt Issuance Costs	8,714	4,646
Decrease in Accounts Receivable and Deferred Rent Receivable	69,996	67,907
Increase in Other Receivables and Prepaid Assets	(34,721)	(53,730)
Increase in Other Assets	(154)	-
Increase in Tenant Security Deposits and Other	144,310	10,734
(Decrease) Increase in Accounts Payable and Other Liabilities	(176,317)	234,368
Net Cash Provided by Operating Activities	699,448	689,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(521,872)	(153,788)
Net Cash Used in Investing Activities	(521,872)	(153,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(135,912)	(67,537)
Payment of Financing Costs	(18,322)	-
Net Cash Used in Financing Activities	(154,234)	(67,537)
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,342	467,833
Cash and Cash Equivalents - Beginning of Year	2,103,273	1,635,440
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,126,615	$ 2,103,273
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	$ 59,960	$ 70,089

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Children and Family Services Center, Inc. and its wholly-owned subsidiary, CFSC Shared Services, LLC (together, the Center) are private not-for-profit enterprises which operate an office building with approximately 100,000 square feet (the Carol Grotnes Belk Children and Family Services Center). The building is for the principal use of eleven not-for-profit member agencies who lease approximately 75% of the available space. Other for-profit, non-profit, and governmental tenants also lease space in the building. The Center provides the following services:

- Building - Rental services to all tenants with the full range of services normally associated with commercial office space. In addition, member agencies are provided affordable office space at below market rates as well as meeting space and conference rooms.

- Collaboration - Collaborative Services to member agencies allowing for efficiencies in the sharing of administration services including technology and technology support, human resources and health, welfare and retirement benefits, and finance and accounting. Moreover, programmatic collaboration is facilitated and supported.

- Fiscal Sponsorships - The Center provides fiscal sponsorship services to unincorporated groups whose missions and causes are aligned with the Center's mission. Fiscal Sponsorship allows individuals and groups to organize around societal concerns, conduct charitable activities, and receive tax-exempt grants and donations without building a full organizational infrastructure or receiving a formal 501(c)(3) nonprofit status from the Internal Revenue Service. This enhances the Center's, as well as, the nonprofit sector's flexibility, efficiency, effectiveness, and innovation.

In the event the building is disposed of at any point in the future, any net proceeds, after settlement of all liabilities, are to be distributed to a 501(c)(3) organization qualifying under Section 170(c)(2) of the Internal Revenue Code. Should this fail to occur, any net proceeds are to be distributed to governmental agencies as appropriate for a public purpose.

The member agencies are not-for-profit organizations who serve different needs of similar clients. These agencies came together with the Center to form synergies in the delivery of their respective services. As member agencies, they receive rent credits and services not found in normal tenant arrangements. In addition, member agencies have representation on the Board of Directors of the Center.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Children and Family Services Center, Inc. and its wholly-owned subsidiary, CFSC Shared Services, LLC, which was organized as a North Carolina Limited Liability Company on September 25, 2008. All significant inter-organizational transactions have been eliminated in consolidation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The accompanying consolidated 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 as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained by the Center in perpetuity. Donors of these assets stipulate that all or part of the income earned on related investments be used for general or specific purposes. At June 30, 2018 and 2017 there were no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed stipulations. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. 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 reported in the consolidated statements of activities as net assets released from restrictions.

Grants and Purchased Services

Grants are not recognized as support until such time as the conditions are substantially met or the likelihood of not meeting the conditions is deemed remote. Purchased service and cost-reimbursement contracts are recognized as support and receivables when the service has been performed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Children and Family Services Center, Inc. is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. CFSC Shared Services, LLC is a single-member Limited Liability Company which does not have separate tax reporting status. Effective January 1, 2018, the Center was required to pay a tax on unrelated business income derived from parking benefits provided to its employees. At June 30, 2018, the Center recorded a tax liability of approximately $1,000. The Center had no tax liability as of June 30, 2017.

The Center’s income tax returns are subject to review and examination by Federal, state, and local authorities. The Center is not aware of any activities that would jeopardize its tax-exempt status.

Generally accepted accounting principles require the Center 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 tax authorities, based on the technical merits of the position. Management believes the Center has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Cash and Cash Equivalents

Funds invested on a daily basis in highly liquid instruments having immediate availability are classified as cash and cash equivalents for purposes of the consolidated statements of cash flows, which are presented on the indirect method. The Center maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, the Center may maintain bank account balances in excess of the FDIC insured limit; however, management believes they are not exposed to any significant cash credit risk.

Accounts Receivable

Accounts receivable consist of amounts due from third parties as of June 30, 2018 and 2017 and are presented at its net realizable value. No allowance for bad debt has been provided.

Property and Equipment

Property and equipment with a value of $1,000 or more is recorded at cost if purchased or estimated fair market value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. When property and equipment are retired, their costs and related allowances for depreciation are removed from the accounts. Any resulting gains or losses are recognized in the consolidated statements of activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is computed by the straight-line method over the shorter of the estimated economic life or lease term for the respective asset held, which are as follows:

Building and Components	5 – 50 Years
Furniture, Fixtures, and Equipment	3 – 7 Years

Depreciation expense was approximately $356,000 and $344,000 for the years ended June 30, 2018 and 2017, respectively.

Deferred Rent Revenue

Deferred rent revenue included in other liabilities on the consolidated statements of financial position consists of rent payments which have been prepaid by tenants. These amounts will be recognized as revenue in the period in which they are earned.

Debt Issuance Costs

During the year ended June 30, 2017, the Center adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied.

Donated Materials and Services

Donated materials and equipment, when significant, are reflected as contributions at estimated fair value at the time of receipt. Donated services, when significant and measurable as to value, are reflected as contributions when provided. Volunteers, including officers and directors of the Center, donate their time in program, support and fundraising. However, no amounts have been reflected in the consolidated financial statements for these services as they do not meet the criteria for recognition.

The Center rents office space to eleven nonprofit member agencies at a rate below market. The difference in the rent at market rate and the actual rent charged is reflected as donated use of facilities in Member Agency Tenants Revenue and Building Program Expenses on the Center’s consolidated statements of activities. For the years ended June 30, 2018 and 2017, these amounts were calculated using the difference between the office space rent at the estimated market rate and the actual rent charged for the office space (excluding the amount charged for technology and collaborative services) and were approximately $1,038,000 and $1,031,000, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses not associated with a specific functional classification are allocated among the various classifications based upon the natural classification of each functional classification (program, management and general, and fundraising) by the Center. Certain jointly incurred costs are allocated to the various functional classifications based on management's estimate of how such costs were utilized.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to be consistent with the classifications adopted for the year ended June 30, 2018. These reclassifications had no effect on net assets or change in net assets as previously reported.

Subsequent Events

In preparing these consolidated financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 12, 2018, the date the consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*. The amendments in this update make several improvements to reporting requirements including changes to net asset classification and requiring additional disclosures related to various nonprofit issues. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and should be applied retrospectively upon adoption, with certain limited exceptions. Early adoption is permitted. The Center is currently evaluating the effect that the standard will have on the financial statements.

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows at June 30:

	2018	2017
Buildings and Components	$ 10,964,042	$ 10,541,525
Furnitures, Fixtures, and Equipment	2,261,232	2,161,877
	13,225,274	12,703,402
Less: Accumulated Depreciation	(5,400,738)	(5,044,294)
	$ 7,824,536	$ 7,659,108

NOTE 4 GROUND LEASE ARRANGEMENT

The Center has an operating lease agreement with the City of Charlotte for the land on which its building is constructed (See Note 5). The lease term began January 1, 2003, and expires December 31, 2052. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Total
2019	$ 140,000
2020	140,000
2021	140,000
2022	140,000
2023	140,000
Thereafter	4,130,000
	$ 4,830,000

Unless extended by the City of Charlotte and the Center, the premises will be transferred to the City of Charlotte upon the termination of the lease.

NOTE 5 BARGAIN USE OF LAND

In 2003, the Center completed its building which is built on land leased from the City of Charlotte (see Note 4). The lease agreement provides for rent at $140,000 per year (which represented a 41.67% discount from fair market value at inception) for a period of 50 years, expiring December 31, 2052.

The bargain portion of this lease arrangement is made up of the following at June 30, 2018 and 2017:

	2018	2017
Estimated fair value of the bargain use of land, net of present-value discount, using the long-term U.S. Treasury rate at inception of the lease (5.01%), for a period of 50 years, capped so as not to exceed the fair market value of land leased	$ 833,000	$ 833,000
Less: Accumulated straight-line amortization at at $16,800 per year, beginning April 1, 2003	(256,200)	(239,400)
	$ 576,800	$ 593,600

NOTE 6 NOTES PAYABLE

During the year ended June 30, 2018, the Center modified the terms of their promissory notes (Notes). The Notes now bear an interest rate of 3.95% and expire in October 2024.

The Notes are comprised of the following at June 30, 2018 and 2017:

	2018	2017
Promissory note due December 2018, payable in equal monthly principal installments of $6,076 and one final payment, plus interest at a rate of 5.2%, collateralized by the Center's building	$ -	$ 738,168
Promissory note due December 2018, payable in equal monthly principal installments of $6,076 for the first 36 months, $2,750 for the next 24 months, $2,000 for the final 23 months, and one final payment, plus interest at a rate of the Index Prime Rate with a maximum rate of 7.5% and a minimum rate of 4.0%, collateralized by the Center's building	-	726,000
Promissory note due October 2024, payable in equal monthly principal installments of $9,996, including interest at a rate of 3.95%, collateralized by the Center's building	669,963	-
Promissory note due October 2024, payable in equal monthly principal installments of $9,822, including interest at a rate of 3.95%, collateralized by the Center's building	658,293	-
	1,328,256	1,464,168
Less: Current Portion	(188,046)	(71,572)
Less: Debt Issuance Costs	(16,577)	(6,969)
Total Notes Payable, Net	$ 1,123,633	$ 1,385,627

NOTE 6 NOTES PAYABLE (CONTINUED)

Annual principal payments due on the Notes are as follows:

Year Ending June 30,	Notes
2019	$ 188,046
2020	195,605
2021	203,696
2022	212,005
2023	220,653
Thereafter	308,251
	$ 1,328,256

NOTE 7 REVOLVING CREDIT LINE

In February 2013, the Center entered into a line of credit agreement with a financial institution for 3 years, which was renewed in November 2015, and any future borrowings will become due and payable on December 8, 2018 unless it is renewed prior to that date. The interest rate on the line of credit is equal to the Wall Street Journal Prime Rate plus 0.5% (with a floor of 3.5%) and is collateralized by the Center's building. The rate in effect at June 30, 2018 and 2017 was 4.5% and 3.75%, respectively. The Center had no amounts outstanding on its revolving line of credit as of June 30, 2018 and 2017.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent the amount of the bargain use of land from the City of Charlotte and contributions for fiscal sponsorships. Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Purpose Restricted:		
Bargain Use of Land	$ 576,800	$ 593,600
Community Building through Art Programs of AboutFace CLT	26,200	-
High School Transition Programs of Carolina Youth Coalition	55,306	-
Not-for-Profit Training Programs of Next Stage Consulting	11,377	-
Education Programs of Latin America Chamber of Charlotte	4,691	-
Child Abuse Awareness Programs of Meck4Kids	9,918	-
	$ 684,292	$ 593,600

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets released from restrictions consisted of the following for the years ending June 30, 2018 and 2017:

	2018	2017
Purpose Restricted Releases:		
Bargain Use of Land	$ 16,800	$ 16,800
Community Building through Art Programs of AboutFace CLT	36,473	-
High School Transition Programs of Carolina Youth Coalition	66,194	-
Not-for-Profit Training Programs of Next Stage Consulting	13,623	-
Bilingual Education Programs of La Escuelita San Marcos	7,000	-
Education Programs of Latin America Chamber of Charlotte	109	-
Child Abuse Awareness Programs of Meck4Kids	4,556	-
	$ 144,755	$ 16,800

NOTE 9 TENANT LEASES

The Center has lease agreements with ten not-for-profit member agencies and other tenants. The aggregate annual rental payments to be received under these agreements subsequent to June 30, 2018, are as follows:

Years Ending June 30,	Member Agency Tenants	Other Tenants	Total
2019	$ 1,509,768	$ 192,611	$ 1,702,379
2020	1,509,768	138,003	1,647,771
2021	1,509,768	118,967	1,628,735
2022	1,400,925	67,393	1,468,318
2023	992,925	-	992,925
Thereafter	2,521,475	-	2,521,475
	$ 9,444,629	$ 516,974	$ 9,961,603

The lease payments can be changed at the Center's discretion. Member agency tenants may renew their leases for three additional ten-year periods, and a fourth period ending December 31, 2052, which is the termination date of the ground lease with the City of Charlotte (See Notes 4 and 5).

NOTE 10 RETIREMENT PLANS

The Center has a defined contribution retirement savings plan (the Plan) which covers all full-time and part-time employees of the Center who meet minimum eligibility requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

NOTE 10 RETIREMENT PLANS (CONTINUED)

Each year, participants may contribute up to 85% of their annual compensation on a pre-tax basis not to exceed $18,500 as specified by the Internal Revenue Service for the calendar year 2018, beginning the first day of the quarter following date of hire. The Center contributes a matching contribution of 100% of the first 1% of base compensation that a participant contributes and 50% of the next 5% that a participant contributes. The Center's contributions to the Plan for the years ended June 30, 2018 and 2017 were approximately $29,000 and $21,000, respectively.

On March 9, 2011 the Center established a non-qualified deferred compensation plan (the Deferred Compensation Plan) under section 457(b) of the Internal Revenue Code, for the benefit of a select group of its management or highest compensated employees. The Deferred Compensation Plan was effective retrospectively to January 1, 2011. In connection with the Deferred Compensation Plan, a rabbi trust was established to provide assets to pay all or a portion of the benefits accrued under the Deferred Compensation Plan. As of June 30, 2018 and 2017 there was one participant in the Deferred Compensation Plan each year, although different individuals. There were no deposits made into the trust during the years ended 2018 or 2017.

NOTE 11 CONTRIBUTED GOODS AND SERVICES

The contributed goods and services received by the Center for the years ended June 30, 2018 and 2017 are as follows:

	Revenue Recognized	Expense Recognized
Year Ended June 30, 2018		
Legal Services	$ 25,328	$ 25,328
Office Furniture and Computer Equipment	16,825	16,825
	$ 42,153	$ 42,153
Year Ended June 30, 2017		
Legal Services	$ 35,901	$ 35,901