



BRADY WARE & SCHOENFELD

October 21, 2020

Board of Directors
North Fulton Community Charities, Inc.
11270 Elkins Road
Roswell, Georgia 30076

We have audited the financial statements of **North Fulton Community Charities, Inc.** for the year ended June 30, 2020, and have issued our report dated October 21, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 28, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **North Fulton Community Charities, Inc.** are described in Note 1 to the financial statements. During fiscal year 2020, the Organization adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and Accounting Standards Update 2014-09 *Revenue from Contracts with Customers (Topic 606)*.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation, functional expense allocations, and the value of donated materials and services. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Board of Directors
North Fulton Community Charities, Inc.
October 21, 2020
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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the Board of Directors, Finance Committee and management of **North Fulton Community Charities, Inc.** and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the Board of Directors for the opportunity to provide services to the **North Fulton Community Charities, Inc.** We appreciate your business and look forward to working with you in the future. If you have any questions or comments, please contact us.

Sincerely,


BRADY, WARE & SCHOENFELD, INC.

**NORTH FULTON COMMUNITY
CHARITIES, INC.**

(A Nonprofit Organization)

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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BRADY WARE & SCHOENFELD

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Fulton Community Charities, Inc.

We have audited the accompanying financial statements of **North Fulton Community Charities, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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INDEPENDENT AUDITORS' REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **North Fulton Community Charities, Inc.** as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brady, Ware & Schoenfeld, Inc.

Atlanta, Georgia
October 21, 2020

NORTH FULTON COMMUNITY CHARITIES, INC.**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,637,805	\$ 1,271,763
Grants receivable	341,650	165,227
Pledges receivable	529,016	279,227
Inventories	316,241	229,024
Prepaid and other	<u>68,345</u>	<u>58,742</u>
Total current assets	4,893,057	2,003,983
PROPERTY AND EQUIPMENT, NET	3,995,237	3,527,230
LONG-TERM PLEDGES RECEIVABLE, NET	<u>246,574</u>	<u>266,232</u>
	<u>\$ 9,134,868</u>	<u>\$ 5,797,445</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 564,753	\$ 145,867
Deferred revenue	<u>48,750</u>	<u>38,500</u>
Total current liabilities	613,503	184,367
LONG-TERM LIABILITIES		
Deferred compensation	-	60,377
Loan payable	329,362	-
Line of credit	<u>2,000</u>	<u>-</u>
	<u>331,362</u>	<u>60,377</u>
Total liabilities	944,865	244,744
NET ASSETS		
Without donor restrictions:		
Undesignated	6,063,605	4,182,526
Designated	<u>299,500</u>	<u>-</u>
	6,363,105	4,182,526
With donor restrictions:	<u>1,826,898</u>	<u>1,370,175</u>
Total net assets	<u>8,190,003</u>	<u>5,552,701</u>
	<u>\$ 9,134,868</u>	<u>\$ 5,797,445</u>

See notes to financial statements.

NORTH FULTON COMMUNITY CHARITIES, INC.**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 3,149,676	\$ 1,562,353	\$ 4,712,029
In-kind contributions	2,188,991	-	2,188,991
Funding from government agencies	-	992,049	992,049
Thrift shop	836,784	-	836,784
Special events	-	175,218	175,218
Interest income	13,927	970	14,897
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>2,273,867</u>	<u>(2,273,867)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>8,463,245</u>	<u>456,723</u>	<u>8,919,968</u>
FUNCTIONAL EXPENSES			
Program services			
Financial assistance	1,770,902	-	1,770,902
Thrift shop	943,158	-	943,158
Food pantry	1,715,820	-	1,715,820
Seasonal programs	517,789	-	517,789
Enrichment programs	273,602	-	273,602
Supporting services			
Fundraising	357,990	-	357,990
General and administrative	<u>552,240</u>	<u>-</u>	<u>552,240</u>
Total functional expenses	<u>6,131,501</u>	<u>-</u>	<u>6,131,501</u>
CHANGE IN NET ASSETS FROM OPERATIONS	2,331,744	456,723	2,788,467
OTHER CHANGES IN NET ASSETS			
Loss on disposal of property and equipment	<u>(151,165)</u>	<u>-</u>	<u>(151,165)</u>
CHANGE IN NET ASSETS	2,180,579	456,723	2,637,302
NET ASSETS			
Beginning of year	<u>4,182,526</u>	<u>1,370,175</u>	<u>5,552,701</u>
End of year	<u>\$ 6,363,105</u>	<u>\$ 1,826,898</u>	<u>\$ 8,190,003</u>

See notes to financial statements.

NORTH FULTON COMMUNITY CHARITIES, INC.**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,266,380	\$ 1,633,804	\$ 2,900,184
In-kind contributions	2,511,453	-	2,511,453
Funding from government agencies	-	312,399	312,399
Thrift shop	1,186,965	-	1,186,965
Special events	-	110,445	110,445
Interest income	3,562	165	3,727
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>987,937</u>	<u>(987,937)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>5,956,297</u>	<u>1,068,876</u>	<u>7,025,173</u>
FUNCTIONAL EXPENSES			
Program services			
Financial assistance	1,601,111	-	1,601,111
Thrift shop	1,065,618	-	1,065,618
Food pantry	1,880,594	-	1,880,594
Seasonal programs	480,615	-	480,615
Enrichment programs	279,170	-	279,170
Supporting services			
Fundraising	294,442	-	294,442
General and administrative	<u>650,468</u>	<u>-</u>	<u>650,468</u>
Total functional expenses	<u>6,252,018</u>	<u>-</u>	<u>6,252,018</u>
CHANGE IN NET ASSETS	(295,721)	1,068,876	773,155
NET ASSETS			
Beginning of year	<u>4,478,247</u>	<u>301,299</u>	<u>4,779,546</u>
End of year	<u>\$ 4,182,526</u>	<u>\$ 1,370,175</u>	<u>\$ 5,552,701</u>

NORTH FULTON COMMUNITY CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services				Supporting Services			Total Expenses
	Financial Assistance	Thrift Shop	Food Pantry	Seasonal Programs	Enrichment Programs	Fundraising	General and Administrative	
In-kind:	\$ -	\$ -	\$ 1,371,147	\$ 57,045	\$ 12,934	\$ -	\$ -	\$ 1,441,126
Food	-	154,224	-	334,210	-	-	-	488,434
Clothing and household items	36,595	-	-	100,375	-	32,182	8,524	177,676
Other	36,595	154,224	1,371,147	491,630	12,934	32,182	8,524	2,107,236
Total In-kind								
Direct assistance:								
Rent	1,132,657	-	-	-	-	-	-	1,132,657
Utilities	88,317	-	-	-	-	-	-	88,317
Transportation	4,463	-	-	-	-	-	-	4,463
Medical	423	-	-	-	-	-	-	423
Other	1,884	-	50,742	2,970	-	-	-	55,596
Total direct assistance	1,227,744	-	50,742	2,970	-	-	-	1,281,456
Other:								
Payroll and payroll taxes	358,036	442,194	155,365	7,835	159,850	169,293	325,816	1,618,389
Benefits	45,903	76,426	19,421	475	9,239	23,221	41,074	215,759
Utilities	9,807	36,152	16,418	4,287	5,929	3,837	10,006	86,436
Repairs and maintenance	15,465	30,122	20,816	745	8,820	4,024	3,480	83,472
Security	490	56,131	-	933	-	-	-	57,554
Professional fees and services	7,212	5,068	7,374	1,050	30,174	16,039	109,754	176,671
Supplies and postage	5,797	10,976	11,410	753	11,639	3,772	6,448	50,795
Special events	-	-	-	-	-	48,860	-	48,860
Transaction fees	24,184	23,851	778	103	126	3,493	289	52,824
Insurance	14,833	30,633	12,525	777	6,783	8,454	23,372	97,377
Rent	2,600	-	-	-	18,248	7,821	-	28,669
Vehicle expense	-	13,182	4,721	971	-	-	-	18,874
Printing	83	85	-	64	71	22,741	3,131	26,175
Equipment	1,158	5,968	8,874	3,422	140	544	453	20,559
Marketing	-	200	-	-	1,066	6,322	35	7,623
Miscellaneous	6,837	10,023	4,932	1,495	2,391	5,107	12,977	43,762
Interest expense	-	-	-	-	-	-	100	100
Depreciation	14,158	47,923	31,297	279	6,192	2,280	6,781	108,910
Total other	506,563	788,934	293,931	23,189	260,668	325,808	543,716	2,742,809
Total functional expenses	\$ 1,770,902	\$ 943,158	\$ 1,715,820	\$ 517,789	\$ 273,602	\$ 357,990	\$ 552,240	\$ 6,131,501
Percent of total	28%	15%	27%	8%	5%	6%	11%	100%

See notes to financial statements.

NORTH FULTON COMMUNITY CHARITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services				Supporting Services			Total Expenses
	Financial Assistance	Thrift Shop	Food Pantry	Seasonal Programs	Enrichment Programs	Fundraising	General and Administrative	
In-kind:								
Food	\$ -	\$ -	\$ 1,631,701	\$ 43,109	\$ -	\$ -	\$ -	\$ 1,674,810
Clothing and household items	-	246,038	-	379,485	-	-	-	625,523
Other	80,114	-	-	25,000	54,127	13,095	48,435	220,771
Total In-kind	80,114	246,038	1,631,701	447,594	54,127	13,095	48,435	2,521,104
Direct assistance:								
Rent	938,147	-	-	-	-	-	-	938,147
Utilities	103,778	-	-	-	-	-	-	103,778
Transportation	1,967	-	-	-	-	-	-	1,967
Medical	925	-	-	-	-	-	-	925
Other	5,258	-	42,154	-	-	-	-	47,412
Total direct assistance	1,050,075	-	42,154	-	-	-	-	1,092,229
Other:								
Payroll and payroll taxes	344,911	482,990	83,116	16,015	118,221	167,505	349,615	1,562,373
Benefits	41,017	66,968	8,063	709	5,941	14,746	50,883	188,327
Utilities	8,511	32,732	16,607	2,393	5,918	3,774	11,585	81,520
Repairs and maintenance	10,990	39,144	21,306	580	8,222	3,863	10,377	94,482
Security	-	46,733	-	7,787	-	-	300	54,820
Professional fees and services	8,359	4,105	17,760	602	31,762	18,015	102,810	183,413
Supplies and postage	6,016	12,299	11,723	1,333	23,195	4,279	8,987	67,832
Special events	-	-	-	-	-	34,875	52	34,927
Transaction fees	10,287	23,664	1,702	29	-	1,273	494	37,449
Insurance	15,385	32,837	10,348	2,259	5,801	6,259	18,881	91,770
Rent	-	-	-	-	17,640	7,560	-	25,200
Vehicle expense	-	12,891	15	-	-	-	-	12,906
Printing	85	-	85	43	-	4,900	14,788	19,901
Equipment	1,254	1,288	4,455	476	381	117	1,902	9,873
Marketing	-	536	-	-	711	5,036	-	6,283
Miscellaneous	14,903	12,176	4,935	759	2,982	7,721	13,963	57,439
Interest expense	-	-	-	-	-	-	12,067	12,067
Depreciation	9,204	51,217	26,624	36	4,269	1,424	5,329	98,103
Total other	470,922	819,580	206,739	33,021	225,043	281,347	602,033	2,638,685
Total functional expenses	\$ 1,601,111	\$ 1,065,618	\$ 1,880,594	\$ 480,615	\$ 279,170	\$ 294,442	\$ 650,468	\$ 6,252,018
Percent of total	26%	17%	30%	8%	4%	5%	10%	100%

See notes to financial statements.

NORTH FULTON COMMUNITY CHARITIES, INC.**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,637,302	\$ 773,155
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	108,910	98,103
Loss on disposal of property and equipment	151,165	-
Change in donated inventories	(87,217)	(5,728)
Deferred compensation accrued	<u>-</u>	<u>15,218</u>
	2,810,160	880,748
Changes in operating assets and liabilities:		
Grants receivable	(176,423)	(81,762)
Prepaid and other	(9,603)	(10,290)
Accounts payable and accrued expenses	418,886	37,507
Deferred revenue	10,250	38,250
Deferred compensation	<u>(60,377)</u>	<u>-</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>2,992,893</u>	<u>864,453</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(728,082)</u>	<u>(85,398)</u>
FINANCING ACTIVITIES		
Net borrowings (payments) on line of credit	2,000	(285,219)
Pledges receivable, net	(230,131)	(545,459)
Proceeds from loan payable	<u>329,362</u>	<u>-</u>
Net Cash and Cash Equivalents Provided (Used) by Financing Activities	<u>101,231</u>	<u>(830,678)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,366,042	(51,623)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,271,763</u>	<u>1,323,386</u>
End of year	<u>\$ 3,637,805</u>	<u>\$ 1,271,763</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 100</u>	<u>\$ 12,067</u>

See notes to financial statements.

NORTH FULTON COMMUNITY CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Fulton Community Charities, Inc. ("NFCC") is a Georgia non-profit organization established to provide residents of northern Fulton County, Georgia with short-term emergency assistance. NFCC assists families with financial assistance for rent, utilities, medical expenses, transportation and other basic needs. NFCC operates a food pantry and thrift shop to support families with food, clothing and household needs. NFCC also provides life skill classes and advocates for the needs of low income residents.

Basis of Presentation - The financial statement presentation follows the recommendations of generally accepted accounting principles. NFCC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for capital expenditure.

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.

Financial 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, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses are allocated based on direct identification except for occupancy and related expenses which are allocated based on direct usage and computed using square footage.

Contributions and Revenue - Contributions received are recorded as support and revenue without donor restrictions and with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NFCC recognized revenue for certain services received at the fair value of those services. These services include professional services that require specialized skill and services that create a non-financial asset. NFCC receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition have not been satisfied (see Note 10). Donations of inventory and property and equipment are recorded as contributions at their estimated fair value at the date of donation.

Conditional grants are recorded as revenue in the year the conditions are met. The continuation of the grants is subject to certain requirements.

NORTH FULTON COMMUNITY CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Credit Risk - NFCC maintains cash balances at various financial institutions. At various times during 2020 and 2019, the cash balance was in excess of FDIC insured limits.

Cash and Cash Equivalents - NFCC considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

Inventories - Inventories consist principally of food held for the food pantry and merchandise held for the thrift shop and seasonal programs. Inventories received through contributions are recorded at fair market value which approximates net realizable value as defined by generally accepted accounting principles. Inventory purchased is recorded at cost.

Property and Equipment - Property and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Routine repairs and maintenance are charged to expense when incurred and renewals and betterments are capitalized. When property and equipment are retired or sold, the related cost and accumulated depreciation are removed from the respective accounts, and the resulting gains and losses are included in income.

NFCC reviews for impairment of long-lived assets in accordance with accounting standards. These standards require organizations to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at June 30, 2020 and 2019.

Income Taxes - NFCC is a nonprofit organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these financial statements. NFCC is not considered to be a private foundation.

Uncertainty in Tax Positions - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing NFCC's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe NFCC has taken any material uncertain tax positions, including any position that would place NFCC's exempt status in jeopardy, as of June 30, 2020.

Adoption of New Accounting Standards - NFCC adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2019. The ASU clarifies and improves the scope and accounting guidance for contributions received, including determining whether a contribution is conditional, and contributions made.

Subsequent Events - NFCC has evaluated subsequent events through October 21, 2020, the date the financial statements were available to be issued.

NORTH FULTON COMMUNITY CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - REVENUE RECOGNITION

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the "new guidance."

NFCC adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new guidance did not require any significant changes to NFCC's accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, or deferred costs. Accordingly, there has been no adjustment to net assets or any other statement of financial position accounts as of July 1, 2019, to reflect adoption of the new guidance.

NFCC derives its revenue primarily from contributions, grants, thrift shop sales and special events. Contributions and grants are accounted for under contribution guidance established by ASU 2018-08. Thrift shop sales are recognized at the point of sale and special events revenue is recognized at the time of the event, in amounts that reflect the consideration NFCC expects to be entitled to and in exchange for the value provided from the goods sold and benefit received during the event. Sales and other taxes NFCC collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contracts are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

NFCC's contracts related to special events are cancelable at any time by either party and all thrift shop sales are final. NFCC's standard payment terms for special events are typically due before the scheduled event. Payment terms can vary based upon the entity that is paying. NFCC does not have any significant financing components. There is no variable consideration related to services provided.

Revenue from performance obligations satisfied at a point in time consist of thrift shop sales and registration fees for special events.

NOTE 3 - LIQUIDITY AND AVAILABILITY

NFCC monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess operating cash. NFCC has the following financial assets less those unavailable for general expenditure within one year.

Financial Assets	
Cash and cash equivalents	\$ 3,637,805
Grants receivable	341,650
Pledges receivable, net	<u>775,590</u>
	4,755,045
Less those unavailable for general expenditure within one year:	
Net assets with purpose restrictions	1,826,898
Net assets designated for capital expenditure	<u>299,500</u>
Financial assets available within one year of the statement of financial position date for general expenditure.	<u>\$ 2,628,647</u>

NORTH FULTON COMMUNITY CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LIQUIDITY AND AVAILABILITY - CONTINUED

In addition to financial assets available to meet general expenditures over the year, NFCC anticipates covering its general expenditures by collecting revenue from thrift shop sales and collection of contributions and new grant awards.

NOTE 4 - PLEDGES RECEIVABLE, NET

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 529,016	\$ 279,227
Receivable in one to five years	<u>289,314</u>	<u>305,369</u>
	818,330	584,596
Less:		
Discount to net present value	38,136	32,848
Allowance for uncollectible pledges	<u>4,604</u>	<u>6,289</u>
Total	<u>\$ 775,590</u>	<u>\$ 545,459</u>

Discount rates ranging from 1.74% to 2.88% were applied to contributions due in more than one year for the year ended June 30, 2020.

Approximately 21% of total undiscounted pledges receivable, or \$166,553, represents pledges from board members or other related parties.

NOTE 5 - INVENTORIES

Inventories at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Thrift shop	\$ 116,995	\$ 88,872
Food pantry	194,311	125,331
Other	<u>4,935</u>	<u>14,821</u>
	<u>\$ 316,241</u>	<u>\$ 229,024</u>

NOTE 6 - PROPERTY AND EQUIPMENT

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 2,068,375	\$ 1,918,375
Building and building improvements	2,197,997	2,283,875
Construction in progress	527,194	161,616
Furniture, fixtures and equipment	210,419	240,155
Vehicles	77,530	77,530
Software	33,901	4,295
Leasehold improvements	<u>-</u>	<u>11,349</u>
Total cost	5,115,416	4,697,195
Less accumulated depreciation	<u>1,120,179</u>	<u>1,169,965</u>
	<u>\$ 3,995,237</u>	<u>\$ 3,527,230</u>

Depreciation expense was \$108,910 and \$98,103 for the years 2020 and 2019.

NORTH FULTON COMMUNITY CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LINE OF CREDIT

At June 30, 2019, NFCC had in place a \$1,600,000 line of credit with a bank. The line of credit was renewed in April 2020 under substantially the same terms through October 2021. Interest is payable at the bank's Prime rate plus 0.5% (3.75% at June 30, 2020 and 5.75% at June 30, 2019). The line of credit is secured by land and building. Net borrowings on the line of credit were \$2,000 at June 30, 2020 and \$0 at June 30 2019.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Capital	\$ 1,419,802	\$ 1,016,537
Financial assistance	351,477	128,755
Family enrichment	35,634	76,649
Food pantry	3,173	122,003
Other	<u>16,812</u>	<u>26,231</u>
	<u>\$ 1,826,898</u>	<u>\$ 1,370,175</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Capital	\$ 726,712	\$ 126,882
Financial assistance	1,081,216	631,538
Family enrichment	210,594	143,784
Food pantry	209,826	81,465
Other	<u>45,519</u>	<u>4,268</u>
	<u>\$ 2,273,867</u>	<u>\$ 987,937</u>

NOTE 9 - OPERATING LEASE

NFCC leases office space and equipment under non-cancelable operating leases. The office lease expired on June 30, 2020 and was not renewed. The equipment lease expires in September 2024. Rental expense was \$28,669 in 2020 and \$25,200 in 2019.

Future minimum rental payments for the equipment lease for the next five fiscal years are as follows:

2021	\$ 2,208
2022	2,208
2023	2,208
2024	2,208
2025	<u>552</u>
	<u>\$ 9,384</u>

NORTH FULTON COMMUNITY CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - CONTRIBUTED SERVICES

NFCC receives contributed services from volunteers throughout the year for various non-specialized functions performed within the organization. Most of these services do not meet the recognition criteria and, accordingly, no amounts have been recognized in the accompanying statements of activities.

The services by capacity are as follows for the year ended June 30, 2020:

	<u>Number of Hours</u>	<u>Estimated Value</u>
Thrift shop	19,772	\$ 143,347
Office and food pantry	41,096	297,946
General volunteer work	1,000	7,250
Food pick-up and delivery	5,602	40,615
Special projects	<u>2,661</u>	<u>19,292</u>
	<u>70,131</u>	<u>\$ 508,450</u>

Professional services provided to NFCC on a pro-bono basis have been recorded at fair value and approximated \$17,300 and \$82,000 for the years 2020 and 2019.

NOTE 11 - RETIREMENT PLANS

NFCC has a 403(b) savings plan for all eligible employees. The Plan provides for voluntary contributions up to the maximum allowed by the Internal Revenue Code. Employees are always 100% vested in their contributions and become fully vested in NFCC contributions after four years of service. NFCC matches up to 50% of the first 4% of compensation contributed by the employees. Contributions totaled \$21,438 and \$18,832 for the years 2020 and 2019.

NFCC entered into a deferred compensation agreement with the Executive Director in December 2016, which is governed by Section 457(b) of the Internal Revenue Code. Amounts accrued for the distribution of benefits under the agreement totaled \$0 and \$60,377 at June 30, 2020 and 2019. The deferred compensation was distributed in full upon the former Executive Director's retirement.

NOTE 12 - SUBSEQUENT EVENTS - COVID-19 PANDEMIC

The COVID-19 pandemic is having a substantial impact on the economy and the normal operations of most businesses. The severity of the financial impact of this pandemic on the financial position and long-term operations of NFCC is not known at this time.

In addition, prior to June 30, 2020, NFCC applied for financial assistance through the Small Business Administration's Paycheck Protection Program and received \$329,362 in funds which are reported as loan payable in the accompanying statements of financial position. These funds may be partially or fully forgivable through the program provided NFCC utilizes them for allowable expenses.