

METANOIA
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

METANOIA
FINANCIAL REPORT
JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Metanoia
North Charleston, South Carolina

We have audited the accompanying financial statements of Metanoia, which comprise the statements of financial position as of June 30, 2019 and 2018 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 audit. We conducted our audit 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 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metanoia as of June 30, 2019 and 2018 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.

Emphasis of Matter

As discussed in Note A, the Financial Accounting Standards Board (“FASB”) issued accounting standards update (“ASU”) No. 2016-14: *Not for Profit Entities: Presentation of Financial Statements of Not for Profit Entities*. The update addresses presentation of net assets classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. Metanoia adopted ASU 2016-14 during the year ended June 2019. The adoption of this standard did not have any impact on Metanoia’s net assets or changes in net assets. Our opinion is not modified with respect to this matter.

DCPAS, LLC dba Davis & Company CPAs

Mount Pleasant, South Carolina

November 22, 2019

METANOIA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

Assets	2019	2018
Cash	\$ 17,910	\$ 158,809
Grant receivables	86,674	180,678
Contributions receivable, current	449,668	-
OOR cost receivables	9,599	44,564
Prepaid expenses	51,586	31,859
Construction in progress	1,330,204	392,091
Assets limited as to use		
Cash, restricted	1,198,042	814,103
Cash, board designated	106,684	105,471
Cash held on behalf of others	4,677	6,369
Notes receivable, current	126,697	124,191
Property and Equipment, net	2,984,382	2,436,651
Contributions receivable, long-term net	685,033	-
Deposits	23,600	54,500
Lot inventory	750,275	851,944
Note receivable, long-term net	64,279	190,976
Total Assets	\$ 7,889,310	\$ 5,392,206
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 297,288	\$ 187,583
Accrued payroll	2,276	29,942
Deferred revenue	218,061	258,960
Line of credit	92,763	92,534
Note payable, current	195,553	33,431
Custodial funds	859,669	858,593
Note payable, long-term	692,413	396,622
Total Liabilities	2,358,023	1,857,665
Net Assets		
Without donor restrictions		
Board designated	106,684	105,471
Undesignated	2,396,928	1,730,452
With donor restrictions	3,027,675	1,698,618
Total Net Assets	5,531,287	3,534,541
Total Liabilities and Net Assets	\$ 7,889,310	\$ 5,392,206

See accompanying notes

METANOIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Public Support:			
Contributions	\$ 201,528	\$ 2,157,275	\$ 2,358,803
Contributions in-kind	102,399	-	102,399
Grant revenue	1,217,998	129,360	1,347,358
Special events, net of expense \$34,238	63,843	-	63,843
Total Public Support	<u>1,585,768</u>	<u>2,286,635</u>	<u>3,872,403</u>
Revenue			
Rental income	161,458	-	161,458
Interest income	18,308	-	18,308
Other income	54,615	-	54,615
Total Revenue	<u>234,381</u>	<u>-</u>	<u>234,381</u>
Net Assets Released from Restrictions	<u>1,051,180</u>	<u>(1,051,180)</u>	<u>-</u>
Total Revenues and Other Support	2,871,329	1,235,455	4,106,784
Expenses			
Program			
Housing	803,734	-	803,734
Youth	805,476	-	805,476
Other	161,541	-	161,541
	<u>1,770,751</u>	<u>-</u>	<u>1,770,751</u>
Support Service			
Management and general	114,022	-	114,022
Fundraising	225,265	-	225,265
Total Support Service	<u>339,287</u>	<u>-</u>	<u>339,287</u>
Total Expenses	<u>2,110,038</u>	<u>-</u>	<u>2,110,038</u>
Change in Net Assets	761,291	1,235,455	1,996,746
Net Assets at Beginning of Year	<u>1,742,321</u>	<u>1,792,220</u>	<u>3,534,541</u>
Net Assets at End of Year	<u><u>\$ 2,503,612</u></u>	<u><u>\$ 3,027,675</u></u>	<u><u>\$ 5,531,287</u></u>

See accompanying notes

METANOIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Public Support:			
Contributions	\$ 264,436	\$ 160,100	\$ 424,536
Contributions in-kind	125,616	-	125,616
Grant revenue	1,549,432	379,360	1,928,792
Special events, net of expense \$66,241	98,699	-	98,699
Total Public Support	<u>2,038,183</u>	<u>539,460</u>	<u>2,577,643</u>
Revenue:			
Rental income	121,372	-	121,372
Interest income	15,095	-	15,095
Other income	43,565	-	43,565
Total Revenue	<u>180,032</u>	<u>-</u>	<u>180,032</u>
Net Assets Released from Restrictions	<u>190,237</u>	<u>(190,237)</u>	<u>-</u>
Total Revenues Other Support	2,408,452	349,223	2,757,675
Expenses			
Program			
Housing	783,788	-	783,788
Youth	780,250	-	780,250
Other	254,765	-	254,765
	<u>1,818,803</u>	<u>-</u>	<u>1,818,803</u>
Support Service			
Management and general	78,323	-	78,323
Fundraising	159,996	-	159,996
Total Support Service	<u>238,319</u>	<u>-</u>	<u>238,319</u>
Total Expenses	<u>2,057,122</u>	<u>-</u>	<u>2,057,122</u>
Change in Net Assets	351,330	349,223	700,553
Net Assets at Beginning of Year	<u>1,390,991</u>	<u>1,442,997</u>	<u>2,833,988</u>
Net Assets at End of Year	<u><u>\$ 1,742,321</u></u>	<u><u>\$ 1,792,220</u></u>	<u><u>\$ 3,534,541</u></u>

See accompanying notes

METANOIA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2019

	Program				Support Service		Total Expenses
	Housing	Youth	Other	Total	Management and General	Fund-raising	
Salaries	\$ 150,514	\$ 436,806	\$ 79,742	\$ 667,062	\$ 59,012	\$ 95,154	\$ 821,228
Payroll taxes	10,624	33,186	8,308	52,118	4,354	8,713	65,185
Employee benefits	8,997	20,657	6,632	36,286	3,403	3,797	43,486
Retirement benefits	8,473	14,981	4,405	27,859	3,030	2,167	33,056
Total Salaries and Benefits	<u>178,608</u>	<u>505,630</u>	<u>99,087</u>	<u>783,325</u>	<u>69,799</u>	<u>109,831</u>	<u>962,955</u>
Emergency repairs	197,378	-	-	197,378	-	-	197,378
Professional fees	6,588	47,572	13,903	68,063	688	90,840	159,591
OOB expense	111,674	-	-	111,674	-	-	111,674
Property maintenance expenses	83,040	13,606	10,422	107,068	1,937	1,334	110,339
Occupancy	32,740	52,893	1,065	86,698	106	1,162	87,966
Education	1,630	64,523	2,573	68,726	2,348	1,531	72,605
Miscellaneous	1,088	55,320	143	56,551	96	920	57,567
Insurance	33,070	11,612	8,190	52,872	2,511	587	55,970
Program cost	21,556	24,997	6,527	53,080	500	104	53,684
Office supplies	6,104	8,365	5,505	19,974	2,985	6,593	29,552
Property taxes	26,784	-	-	26,784	66	-	26,850
Travel meals and entertainment	2,368	10,646	6,645	19,659	3,918	2,437	26,014
Interest	22,183	-	2,228	24,411	-	-	24,411
Dues	2,996	6,253	3,996	13,245	935	7,512	21,692
Commissions paid	14,729	-	-	14,729	-	-	14,729
Telephone	784	4,048	1,132	5,964	311	274	6,549
Postage and shipping	263	11	117	391	-	1,008	1,399
Advertising	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>1,132</u>	<u>1,140</u>
Total Expenses Before Depreciation	743,583	805,476	161,541	1,710,600	86,200	225,265	2,022,065
Depreciation	<u>60,151</u>	<u>-</u>	<u>-</u>	<u>60,151</u>	<u>27,822</u>	<u>-</u>	<u>87,973</u>
Total Expenses	\$ <u>803,734</u>	\$ <u>805,476</u>	\$ <u>161,541</u>	\$ <u>1,770,751</u>	\$ <u>114,022</u>	\$ <u>225,265</u>	\$ <u>2,110,038</u>

See accompanying notes

METANOIA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2018

	Program				Support Service		Total Expenses
	Housing	Youth	Other	Total	Management and General	Fund- raising	
Salaries	\$ 147,834	\$ 414,492	\$ 51,823	\$ 614,149	\$ 45,490	\$ 120,414	\$ 780,053
Payroll taxes	11,078	31,887	3,952	46,917	3,337	9,312	59,566
Employee benefits	1,645	2,576	865	5,086	241	722	6,049
Retirement benefits	7,686	14,317	2,856	24,859	2,587	5,566	33,012
Total Salaries and Benefits	<u>168,243</u>	<u>463,272</u>	<u>59,496</u>	<u>691,011</u>	<u>51,655</u>	<u>136,014</u>	<u>878,680</u>
Professional fees	13,817	80,654	107,110	201,581	458	2,628	204,667
Emergency repair program	165,650	-	-	165,650	-	-	165,650
OOR expense	159,976	-	-	159,976	-	-	159,976
Education	1,519	83,404	3,899	88,822	6,352	2,325	97,499
Property maintenance expenses	61,312	13,275	13,825	88,412	701	425	89,538
Occupancy	29,102	50,022	4,391	83,515	-	3,705	87,220
Insurance	35,008	8,941	5,885	49,834	3,493	603	53,930
Program cost	13,428	16,093	12,410	41,931	-	90	42,021
Miscellaneous	7,956	30,784	2,647	41,387	169	-	41,556
Dues	2,416	7,854	24,861	35,131	362	2,964	38,457
Travel meals and entertainment	3,502	15,013	9,235	27,750	2,022	4,355	34,127
Office supplies	5,012	6,383	8,885	20,280	3,395	4,425	28,100
Property taxes	19,269	-	343	19,612	-	-	19,612
Interest	15,080	-	-	15,080	-	-	15,080
Commissions paid	10,030	-	-	10,030	-	-	10,030
Telephone	706	4,531	960	6,197	892	817	7,906
Postage and shipping	538	24	144	706	108	1,465	2,279
Advertising	<u>579</u>	<u>-</u>	<u>674</u>	<u>1,253</u>	<u>-</u>	<u>180</u>	<u>1,433</u>
Total Expenses Before Depreciation	713,143	780,250	254,765	1,748,158	69,607	159,996	1,977,761
Depreciation	<u>70,645</u>	<u>-</u>	<u>-</u>	<u>70,645</u>	<u>8,716</u>	<u>-</u>	<u>79,361</u>
Total Expenses	\$ <u><u>783,788</u></u>	\$ <u><u>780,250</u></u>	<u><u>254,765</u></u>	\$ <u><u>1,818,803</u></u>	\$ <u><u>78,323</u></u>	\$ <u><u>159,996</u></u>	\$ <u><u>2,057,122</u></u>

See accompanying notes

METANOIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,996,746	\$ 700,553
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	87,973	79,361
(Increase) Decrease in:		
Grant receivables	94,004	4,637
Contributions receivable	(1,134,701)	-
OOR cost receivable	34,965	(20,210)
Prepaid expenses	(19,727)	3,348
Construction in progress	(1,300,070)	233,816
Deposits	30,900	35,715
Increase (Decrease) in:		
Accounts payable	109,705	97,987
Accrued payroll	(27,666)	9,219
Custodial funds	1,076	419
Deferred revenue	(40,899)	(88,508)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(167,694)</u>	<u>1,056,337</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of lots held for development	(152,338)	(513,223)
Purchase of property and equipment	(19,740)	(806,359)
Note receivable loan payments received	124,191	121,734
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(47,887)</u>	<u>(1,197,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on line of credit	-	270,624
Draw on notes payable	492,659	-
Principal payments on note payable	(34,517)	(36,215)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>458,142</u>	<u>234,409</u>
INCREASE IN CASH AND EQUIVALENTS	242,561	92,898
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>1,084,752</u>	<u>991,854</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 1,327,313</u>	<u>\$ 1,084,752</u>
Cash	\$ 17,910	\$ 158,809
Cash - restricted	1,198,042	814,103
Cash - board designated	106,684	105,471
Cash - cash held on behalf of others	4,677	6,369
	<u>\$ 1,327,313</u>	<u>\$ 1,084,752</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities:		
Assets donated for use	\$ -	\$ 55,000
Interest paid	<u>\$ 24,411</u>	<u>\$ 15,080</u>

See accompanying notes

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Metanoia is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Metanoia is a Community Development Corporation focused on discovering and growing the assets of the southern half of North Charleston.

Metanoia envisions a diverse community of people that are inspired and empowered to make the community better for generations to come; where quality housing and livable wage jobs are accessible to all; where there are academically achieving schools; where businesses, and faith communities benefit the community; where the quality of life includes green space and recreational opportunities; and where Reynolds Avenue is a hub of economic and social activities. We recognize the people of our community are essential to the accomplishment of this vision.

Program descriptions

The following program and supporting services are included in the accompanying financial statements:

Housing Program

The housing program purchases properties in the southern-half of North Charleston and either refurbishes them or builds new homes for sale or rent to the public. The program is aimed at stabilizing the housing in the area which will result in neighborhood improvement. Beneficiaries are generally below 80% of the Charleston County area median income.

Metanoia also works with various partners including the City of North Charleston, Charleston County, the South Carolina Housing Finance and Development Authority and the National Fair Housing Alliance to rehabilitate homes for homeowners in need of repairs. Depending on the source of funding, beneficiaries make at or below 50% or 80% of the Charleston County area median income.

Metanoia operates an extended financial literacy and homeownership class to prepare homeowners by teaching budgeting, banking, credit repair and the responsibilities of home-buying and homeownership.

Youth Leadership Development Academy

The Metanoia Youth Leadership Academy operates year-round out-of-school programming that offers leadership development for students from grades 1-12. This includes daily after school programs for students and a summer Children's Defense Fund Freedom School. The Freedom School operates daily for six weeks in the summer. Students receive academic enhancement and character education in all of Metanoia's programming. The Leadership Academy is a pipeline to develop new leaders for the community.

Economic Development Initiative

In prior years, Metanoia has funded a minority contractor training academy, operated a local farmer's market, and funded a production kitchen for job training in culinary arts - all in an effort to enhance economic development in the community. Metanoia students have started several small businesses which are housed in Metanoia's Youth Entrepreneurship Center (a renovated commercial building in the neighborhood we serve), and Metanoia is also incubating a minority owned restaurant within our youth entrepreneurship and volunteer center. Metanoia also works closely with the City of North Charleston to encourage the establishment of local businesses that benefit the neighborhood. This includes working with the city to attract a grocery store to the neighborhood and work on the adaptive reuse of a former elementary school.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Metanoia was awarded a Community Economic Development grant from the U.S. Department of Health and Human Services to be used for business expansion and job creation. Metanoia has entered into an agreement with the Urban Electric Company to loan them funds for expansion of their facilities to ensure permanent job creation of approximately 40 new jobs to benefit low-income households. Metanoia was awarded a second grant from the U.S. Department of Health and Human Services to launch an early childhood learning center within the former Chicora Elementary School.

In 2019, Metanoia began renovations on a storefront along Reynolds Avenue as a local small business incubator in partnership with the non-profit Lowcountry Local First. Metanoia renovated a building that it owns to house two small businesses that are being identified and trained by Lowcountry Local First. The businesses must be minority owned or create job or service opportunities to the existing neighborhood that surrounds this property.

Community Organizing and Development:

Metanoia organizes the community it serves around issues that are of particular interest to residents. This has included successfully organizing the community to have speed limits reduced, to get a new public elementary school built in the community, and to get a \$4 million mitigation agreement from a new rail facility being constructed adjacent to the communities we serve. All organizing is issue oriented and non-partisan. Metanoia also works with the neighborhoods it serves to enhance their quality of life through a community gardening initiative and the establishment of better public green and recreational space.

Management and General

Management and general includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of Metanoia's program strategy through the Office of the CEO; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of Metanoia; and manage the financial and budgetary responsibilities of Metanoia.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenditures are recognized when incurred.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are board limits resulting for the nature of the organization, the nature in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expirations of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Board designated net assets

The board has identified \$106,684 and \$105,471 of the other net assets without donor restrictions to be a part of Metanoia's cash in 2019 and 2018, respectively. Such net assets are intended to remain in the money market account unless needed for continued operation or further development of Metanoia and its programs.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, Metanoia considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Metanoia does not have any cash equivalents.

Contributions receivable

Contributions receivable are recognized as revenues in the period in which the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Metanoia anticipates that these amounts will be collected in full. Accordingly, no allowance for uncollectible amounts has been established.

Grants receivable

The grants receivable represents amounts owned by various government and nonprofit entities. Based on its previous experience, Metanoia anticipates that these amounts will be collected in full. Accordingly, no allowance for uncollectible amounts has been established.

OOR cost receivable

The Owner-Occupied Repair program requires Metanoia to expend funds renovating approved projects in advance and then apply for reimbursement from the City of North Charleston. Based on its previous experience, Metanoia anticipates that these amounts will be collected in full. Accordingly, no allowance for uncollectible amounts has been established.

Prepaid expenses

Prepaid expenses are primarily expenses for initial down payments for insurance policies and payment for the Freedom School program.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Construction in progress

Construction in progress represents acquisitions and rehabilitation costs of residential housing units and the Entrepreneurship Center. Donated properties are recorded at fair value as of donation date. The costs associated with maintaining property including insurance, utilities, repairs and taxes are recorded as current period expenses, once rehabilitation is complete and the property is held for sale or transferred to a low-income rental unit. Grant and government provisions require that units be sold to qualified low income families for approximate appraised value. Gains or losses on the subsequent sale of renovated properties are program related revenues and expense and are recognized in the year of sale.

Assets limited to use

Assets limited to use consist of cash restricted for program expense. One grantor requires Metanoia to maintain advanced funds separate and in an interest bearing account where interest earned is also restricted for the same purpose as the advances fund.

Donated assets

Donated materials for construction and lot inventory are recorded at their estimated fair market values at the date of the donation.

Donated services

Donated services are recognized in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 *Not-For-Profit Entities* if services (a) create or enhance a non-financial asset, or (b) require special skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers perform a variety of tasks that assist Metanoia with specific programs, fund-raising, and various committee assignments throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

Property and equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Expenditures for major additions and improvements, generally in excess of \$2,500, are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years. Major long-term improvements are not budgeted.

Deposits

Deposits include earnest money paid as a deposit with the intention to purchase property.

Lot inventory

Lot inventory includes acquisition costs of lots held for future construction. The cost associated with maintaining property in inventory including insurance, utilities, repairs and taxes are recorded as current period expenses.

Deferred Revenue

Metanoia records revenues from exchange transactions as increases in net assets without donor restrictions to the extent that the earning process is complete. These transactions primarily include restricted contributions and grants. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earning process has not been complete. The resources are recorded as revenues without donor restrictions when the related obligations have been satisfied.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Custodial funds

Metanoia entered into an agreement with the Lowcountry Alliance for Model Communities in 2016. Under this agreement, the City of North Charleston transferred \$860,000 to Metanoia for services. The funds are required to be kept in a separate account. Metanoia will work with targeted neighborhoods to develop homeownership units that will be financed with these funds.

Compensated absences

Full time and part-time employees of Metanoia are entitled to paid time off, depending on job classification and length of service.

Accounting of contributions

Contributions, including contributions receivable, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specially reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions receivable with payments due in the future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contributions is clearly intended to support activities in the current fiscal year. It is Metanoia's policy to record contributions received with donor restrictions and released in the same year as support without donor restriction.

Grant revenue

Grant revenue is recognized when received. Grant revenue is provided by county, state and foundations to support Metanoia.

Fair value of financial instruments

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 is effective for Metanoia's financial assets and liabilities for the years ended June 30, 2019 and 2018. The estimated fair value amounts for specific groups of financial instruments are presented with the footnotes. Accounts payable are stated at cost, which approximates fair value, due to their short term to maturity.

Expense allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied as follows:

- Salaries, wages and payroll taxes are allocated based on activity reports prepared by key personnel.
- Direct expenses are charged to their specific area of activity.
- All other expenses are recorded directly to its function.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Income tax status

Metanoia is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. In addition, Metanoia qualifies for the charitable contribution deduction under Section 170(b) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

Management evaluated Metanoia's tax positions and concluded that Metanoia had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

Therefore, no provision or liability for income taxes has been included in the financial statements. Metanoia currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. Metanoia is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair value measurements

FASB's *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under this standard, fair value measurements are disclosed by level within that hierarchy. Metanoia utilizes a three-tier fair value hierarchy that clarifies fair value as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations. Net assets with donor restrictions increased by \$93,602 and net assets without donor restrictions decreased by the same amount.

New accounting pronouncement

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published Accounting Standards update ("ASU") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not for Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. Metanoia has elected to adopt this standard for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE B - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statements of Financial Position date of June 30, 2019 and 2018, comprise of the following at June 30:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 1,327,313	\$ 1,084,752
Grants receivable	86,674	180,678
Contributions receivable, net	1,134,701	-
OOR costs receivable	9,599	44,564
Notes receivable	<u>190,976</u>	<u>315,167</u>
Total financial assets	2,749,263	1,625,161
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets of liquid nature	(1,670,089)	(1,119,667)
Less financial assets not available within one year:		
Contributions receivable, net	<u>(685,033)</u>	<u>-</u>
Amount available for general expenditures within one year	<u>\$ 394,141</u>	<u>\$ 505,494</u>

Included in purpose-restricted net assets on the Statements of Activities, is \$672,553 of restricted property for year ending June 30, 2019 and 2018, respectively consists of HOME acquisition funds of \$231,947 and HOME constructions funds of \$440,606. Due to the illiquid nature of the properties, they have not been included in the financial assets held to meet donor-imposed restrictions above.

As part of its liquidity plan, Metanoia has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Metanoia has a \$100,000 line of credit available to meet cash flow needs, of which \$92,763 and \$92,534 have been utilized in 2019 and 2018, respectively.

NOTE C - RESTRICTED CASH

Included in cash for the fiscal years ended June 30, 2019 and 2018 is restricted cash of \$1,198,042 and \$814,103, respectively, which represents the following funds held by Metanoia:

	<u>2019</u>	<u>2018</u>
HOME revolving funds	\$ 275,244	\$ 11,171
Neighborhood stabilization funds	3,758	3,757
Housing development	461,066	474,920
CED loan repayment + interest	<u>457,974</u>	<u>324,255</u>
Total restricted cash	<u>\$ 1,198,042</u>	<u>\$ 814,103</u>

Additionally, the Board has designated \$106,684 and \$105,471 for savings for the years ending June 30, 2019 and 2018, respectively. There is an additional \$4,677 and \$6,369 of cash that is held for student savings accounts on behalf of others for the years ending June 30, 2019 and 2018, respectively.

write-off method approximates the results that would be presented if an allowance for doubtful accounts was recorded. Grants receivable at fiscal years ended June 30, 2019 and 2018 was \$86,674 and \$180,678, respectively.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE D - GRANTS RECEIVABLE

Grants receivable consist of amounts due from government agencies or private donors, based on the terms of the related grant agreements or corporate sponsorship. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the government agency or the donor and the age of the receivable balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to uncollected grants expense. Management believes that the use of the direct

NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivables consisted of the following as of June 30:

Contributions Receivable

	2019	2018
Contributions receivable, gross	\$ 1,185,444	\$ -
Less: unamortized discount	(50,743)	-
Contributions receivable, net	\$ 1,134,701	\$ -

A summary of contributions receivable expected to be collected are as follows:

Pledge maturities

2020	\$ 449,668
2021	331,201
2022	277,573
2023	76,259
Total	\$ 1,134,701

NOTE F - MORTGAGES RECEIVABLE

Metanoia has several notes receivable with collateral of second, third or fourth mortgage on properties sold through the housing program. These notes are secured by real property. The notes are forgivable and interest free contingent on the buyer's compliance with the mortgage agreement. The principal of the mortgages is forgiven at a rate of 5% of the original principal per year for twenty years, if the mortgagee retains the property as their primary residence.

Metanoia fully amortizes all the Mortgage Assistance Program balances and does not record any future Mortgage Assistance Program amounts as assets on the Statement of Financial Position. However, the detail balance of each client in the Mortgage Assistance Program is being maintained for grantor reporting purposes.

Through a U.S. Department of Health and Human Service Community Services Block Grant program, Metanoia loaned \$615,000 to a growing company for job creation on January 23, 2016. The loan will be repaid over five years and bears a fixed interest rate of 2%.

Mortgages receivable as of June 30, 2019 and 2018 are as follows:

	2019	2018
Mortgage and note receivable at face value	\$ 289,469	\$ 428,081
Less: allowance for doubtful accounts	(98,493)	(112,914)
Total	\$ 190,976	\$ 315,167

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE F - MORTGAGES RECEIVABLE

Continued

Mortgage receivable amortization schedule over the next five years and thereafter is as follows:

2020	141,119
2021	78,699
2022	14,421
2023	14,421
Thereafter	40,809
Total	<u>\$ 289,469</u>

NOTE G - CONSTRUCTION IN PROGRESS

Costs associated with the acquisition, development, and construction of a project is capitalized. Such costs may include (1) pre-acquisition costs such as land acquisition or improvement; (2) infrastructure development or construction costs such as equipment rental, construction materials, or subcontractors; and (3) other costs such as interest, insurance, or construction benefits. Most of the projects included in construction in progress are currently expected to be completed by the year ending June 30, 2020. After completion they will be used for program, sold to low income qualified homeowners or converted to low income rental property. Construction in progress consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
2021B Reynolds	\$ -	\$ 55,659
2019 Reynolds	202,295	181,914
1914 Carlton	-	70,480
1913 Baxter	-	84,038
1908 Grayson	20,284	-
1907 Grayson	142,812	-
1905 Grayson	142,101	-
1908 Leland	120,978	-
3309 Proctor	88,166	-
2018 Success	56,290	-
2020 Success	55,001	-
Old Chicora	502,277	-
	<u>\$ 1,330,204</u>	<u>\$ 392,091</u>

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE H - LOT INVENTORY

The following lots were held for development as of June 30:

	2019	2018
1909 Token Street	\$ 13,710	\$ 13,710
1911 Token Street	13,710	13,710
1913 Token Street	13,710	13,710
1915 Token Street	13,710	13,710
1917 Token Street	10,775	10,775
1927 Quitman Street	13,710	13,710
1929 Quitman Street	13,710	13,710
1925 Baxter	25,646	25,646
1909 Grayson St	51,496	51,496
1908 Grayson	-	19,779
1907 Grayson	-	21,275
3211 Chicora	-	20,355
1908 Leland	-	22,778
1910 Leland	39,322	39,322
3309 Proctor	-	19,621
3307 Proctor	30,764	30,764
2038 Arbutus	13,715	13,715
2040 Arbutus	13,716	13,715
2018 Success St	-	52,790
2020 Success	-	54,437
2146 Garfield	18,886	17,886
3308 Kraft	25,711	25,711
3310 Kraft	46,240	46,240
3312 Kraft	41,527	41,527
2018 Hugo St	40,417	40,417
1906 Redwood	14,058	14,058
Old Chicora-Office/Rental	-	21,488
1912 Grayson	18,731	18,401
1914 Grayson	19,586	19,448
2016 Comstock	19,951	17,798
2015 Beech	10,000	10,000
2134 Misroon	6,871	6,090
1904 Redwood	10,191	10,191
2222 Suffolk	60,117	57,721
2134 Misroon	13,999	13,218
1915 Baxter	16,632	13,022
2021 Hugo	23,259	-
1914 Leland	21,135	-
1906 Success	62,939	-
1917 Baxter	12,331	-
	\$ <u>750,275</u>	\$ <u>851,944</u>

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE I - PROPERTY HELD FOR SALE

Metanoia classifies properties as held for sale once they have been listed on the market for sale. Metanoia records property held for sale at the lower of estimated fair market value or net book value. Property held for sale for the fiscal years ended June 30, 2019 and 2018 were zero.

NOTE J - PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than \$2,500 and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized at cost. Property and equipment, other than donated property, is stated at cost. Donated property is valued at fair market value at the date of the gift.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets: buildings – 40 years; furniture and equipment – 3 to 5 years; software – 5 years; and vehicles – 3 to 7 years. Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Operating property and equipment:		
Office equipment and library	\$ 122,843	\$ 122,843
Cafe equipment	50,437	50,437
Office leasehold improvements	90,461	73,397
Rentals leasehold improvements	33,632	33,632
Low income rentals property:		
Land	168,430	153,430
Rental homes	<u>2,898,988</u>	<u>2,295,349</u>
	3,364,791	2,729,088
Less accumulated depreciation	<u>(380,409)</u>	<u>(292,437)</u>
	<u>\$ 2,984,382</u>	<u>\$ 2,436,651</u>

Depreciation charged to operations in fiscal years ended June 30, 2019 and 2018 was \$87,973 and \$79,361, respectively.

continued on next page

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE K - NOTES PAYABLE AND LINES OF CREDIT

Notes payable and lines of credit consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Lowcountry Housing Trust Neighborhood Stabilization Program interest free loan, collateralized by 2600 Ferrara home. Payable over 13 years.	\$ 48,212	\$ 53,569
Lowcountry Housing Trust Neighborhood Stabilization Program interest free loan, collateralized by Kent Avenue home. The loan was repaid in 2019.	-	14,981
Lowcountry Housing Trust line of credit up to \$175,000; draws are payable over 15 years including 5% fixed interest collateral includes 7 low income rental homes.	126,222	137,037
South State Bank issued two promissory notes for \$57,950 each including 4% interest rate. Interest only payments are made for the first 9 months followed by 50 payments of interest and principal of \$307.78 beginning April 5, 2017 with a balloon payment of \$52,052 due June 5, 2021 for each loan.	108,016	114,019
Line of Credit with TD Bank on a \$100,000 revolving basis.	92,763	92,534
Line of Credit with Woodforest Bank on a \$225,000 revolving basis for 24 months with a final balloon payment of all principal and interest at 4.25% due January 5, 2020.	170,447	110,447
Woodforest Bank issued a promissory note for \$151,000 for the purchase of the Dean's Building. The loan includes an interest rate of 4.25%, including payments of \$940 with a balloon payment of \$124,867 due April 2024.	150,595	-
Ameris Bank issued two promissory notes for \$58,973 and \$42,307, each including 4.5% interest rates. Interest only payments are made for the first year followed by payments of \$375 and \$269, respectively and balloons payments of \$51,072 and \$36,639, respectively, both due in May 2024.	101,280	-
SC Housing Finance and Development Authority line of credit up to \$366,350; \$274,350 is forgiveable over a period of 15 years and draws on \$92,000 are payable over 30 years including 0% interest once the project is complete. Collateral includes 4 low income rental homes.	180,379	-
	977,914	522,587
Less current maturities	(288,316)	(125,965)
Total Long Term Debt	\$ <u>689,598</u>	\$ <u>396,622</u>

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE K - NOTES PAYABLE AND LINES OF CREDIT - Continued

The principal payment of the long-term debt is as follows the fiscal year ended June 30:

2019	\$	288,316
2020		139,724
2021		35,669
2022		113,937
2023		234,538
Thereafter		<u>165,730</u>
	\$	<u><u>977,914</u></u>

Interest expense charged in fiscal years ended June 30, 2019 and 2018 was \$24,411 and \$15,080, respectively.

NOTE L - IN-KIND CONTRIBUTIONS

Donated materials and professional construction services are reflected as contributions in the accompanying financial statements at their estimated fair market values on the date of receipt. Recorded in-kind contributions consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
House	\$ -	\$ 55,000
Freedom school	53,593	20,000
Office space	48,000	48,000
Equipment	<u>806</u>	<u>-</u>
	<u>\$ 102,399</u>	<u>\$ 123,000</u>

Many individuals volunteer their time and perform a variety of tasks that assist Metanoia with specific programs, campaign solicitations, and various committee assignments. These amounts are not recorded.

NOTE M - ADVERTISING

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expenses total \$1,140 and \$1,433 for the years ended June 30, 2019 and 2018, respectively.

NOTE N - RELATED PARTY TRANSACTIONS

Board members and employees from Metanoia made contributions for the fiscal years ending June 30, 2019 and 2018.

NOTE O - CONCENTRATION OF CREDIT RISK

Metanoia places its cash with reputable financial institutions and limits the amount of credit exposure for cash to any one financial institution. Accounts held by banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Metanoia had \$402,948 and \$179,726 in uninsured cash balances as of June 30, 2019 and 2018, respectively. Metanoia places funds in a money market account held with a brokerage firm that is insured by the Securities Investor Protection Corporation up to \$500,000. Metanoia had \$0 in uninsured money market funds as of June 30, 2019 and 2018.

Metanoia's programs are concentrated in Charleston County, South Carolina, the level of contributions, home sales and grant opportunities may be affected by changes in this local economy.

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include those net assets whose use by Metanoia has been donor restricted by specified purpose or time limitations. Net assets with donor restrictions consists of the following as of fiscal years ended June 30:

Restricted Purpose	2019			
	Beginning Balance	Contributions	Transfers/ Distributions	Ending Balance
Youth program	\$ 2,143	\$ -	(2,143)	-
HOME acquisition fund, net	231,947	-	-	231,947
HOME construction fund, net	440,606	-	-	440,606
CED grant	638,567	129,360	(124,191)	643,736
Neighborhood stabilization fund	135,355	-	-	135,355
Housing development	250,000	-	(250,000)	-
Old Chicora renovation	93,602	2,157,275	(674,846)	1,576,031
Total	<u>\$ 1,792,220</u>	<u>\$ 2,286,635</u>	<u>(1,051,180)</u>	<u>3,027,675</u>

Restricted Purpose	2018			
	Beginning Balance	Contributions	Transfers/ Distributions	Ending Balance
Youth program	\$ 3,753	\$ -	(1,610)	\$ 2,143
HOME acquisition fund, net	231,947	-	-	231,947
HOME construction fund, net	440,606	-	-	440,606
CED grant	630,941	129,360	(121,734)	638,567
Owner occupied repair program	395	-	(395)	-
Neighborhood stabilization fund	135,355	-	-	135,355
Housing development	-	250,000	-	250,000
Old Chicora renovation	-	160,100	(66,498)	93,602
Total	<u>\$ 1,442,997</u>	<u>\$ 539,460</u>	<u>\$ (190,237)</u>	<u>\$ 1,792,220</u>

NOTE Q - ENDOWMENT

Metanoia established a permanent endowment fund. This fund is held and managed by the Coastal Community Foundation and is excluded from the financial statements of Metanoia as a result of the Coastal Community Foundation's variance power over the funds. The primary purpose of this fund is to provide income to Metanoia in support of its mission. Disbursements are based on 4% of the fund's average market value over the previous twenty quarters. During the fiscal years ended June 30, 2019 and 2018, there were no disbursements. Metanoia and the Coastal Community Foundation intend for this fund to be available to receive additional property from Metanoia and other donors; the Coastal Community Foundation determines annual distributions. The balance of the fund at June 30, 2019 and 2018 was \$79,067 and \$77,289, respectively.

Two endowment funds were established by the Coastal Community Foundation based on variance power. The funds are held and managed by the Coastal Community Foundation and are excluded from the financial statements of Metanoia as a result of the Coastal Community Foundation's variance power over the funds. The primary purpose of the funds are to provide income to Metanoia in support of its mission. During the fiscal year ended June 30, 2019, there were disbursements of \$855 and \$2,934. The balance of the funds at June 30, 2019 and 2018 were as follows:

CCF Endowments

	2019	2018
Metanoia Civic Leaders Endowment	\$ 21,522	\$ 21,935
Zucker Family Endowment for Metanoia's Civic Leaders Program	74,342	75,623

METANOIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE R - COMMITMENTS AND CONTINGENCIES

Collection of Mortgage Receivable

Metanoia issues contingent second mortgages for the value of restricted federal, state and grantor funds invested in the property through construction and renovation grant guidelines or down payment assistance programs. They are amortized over 20 years, or 5% per year. Should the homeowner pay off the primary mortgage early or default on the mortgage, the second mortgage would be triggered. Due to the recent and current decline in the real estate market, the second mortgage payoff is considered remote by Metanoia, and therefore no receivable has been recorded in the current year financial statements. During the fiscal years ended June 30, 2019 and 2018, no second mortgages were paid off early. See Note D - Mortgage Receivables.

NOTE S - CUSTODIAL FUNDS

Metanoia entered a memorandum of understanding with the Lowcountry Alliance for Model Communities (LAMC) on October 21, 2016. Under this agreement the City of North Charleston transferred \$860,000 to Metanoia and the funds are required to be segregated in a separate cash account, see Note B - Restricted Cash; these funds are to be spent according to the agreement. Metanoia will work with targeted communities in North Charleston to identify potential projects for new and renovated housing. Metanoia will develop as many homeownership units as the current market for such can hold. The money transferred to a revolving account for short term (36 months per project) acquisition and construction financing of identified properties. After 36 months or once that project is complete, whichever is sooner, Metanoia will find long term financing for these properties. No more than 10% of a unit's financing from the funds outlined in the MOU may be left in an individual unit for long term financing. All homeowners who utilize this grant must have household incomes at or below 120% of AMI adjusted for family size. Housing projects under this agreement will operate within the scope of the Community Master Plan facilitated by the LAMC and adopted by the City of North Charleston.

NOTE T - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in the financial statements.