

CHANGED CHOICES, INC.

*FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018*

Changed Choices, Inc.
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December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Changed Choices, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Changed Choices, Inc. ("the Organization" - a nonprofit corporation), which comprise the statements of financial position as of December 31, 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.

Auditor's 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 of 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 in the first paragraph present fairly, in all material respects, the financial position of Changed Choices, Inc., as of December 31, 2019 and 2018, 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.

C. Dewitt Foard & Company, P.A.

April 1, 2020

Changed Choices, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	December 31,	
	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 134,380	\$ 118,594
Accounts receivable	396	925
Pledges receivable	6,650	-
Prepaid expenses	536	536
Certificates of deposit	102,878	150,661
Property and equipment, net	180,043	185,407
<u>TOTAL ASSETS</u>	<u>\$ 424,883</u>	<u>\$ 456,123</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 1,452	\$ 2,468
Accrued expenses	23,357	18,948
<u>Total Liabilities</u>	<u>24,809</u>	<u>21,416</u>
Net Assets:		
Without donor restrictions	363,067	407,700
With donor restrictions	37,007	27,007
<u>Total Net Assets</u>	<u>400,074</u>	<u>434,707</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 424,883</u>	<u>\$ 456,123</u>

Changed Choices, Inc.
Statement of Activities
Year Ended December 31, 2019

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
<u>SUPPORT AND REVENUE</u>			
Contributions:			
Churches	\$ 67,537	\$ 10,000	\$ 77,537
Corporations and foundations	12,200	-	12,200
Matching gifts	15,608	-	15,608
Individuals	134,206	-	134,206
In-kind contributions	2,000	-	2,000
Program service fees	3,501	-	3,501
Fees for services	10,750	-	10,750
Fees - training services	19,615	-	19,615
Grants	65,500	-	65,500
Special events	57,449	-	57,449
Investment income	3,638	-	3,638
Net assets released from restrictions	-	-	-
<i>Total Support and Revenue</i>	<i>392,004</i>	<i>10,000</i>	<i>402,004</i>
<u>EXPENSES</u>			
Program Services:			
Pre-release	89,772	-	89,772
Re-entry	183,366	-	183,366
Counseling	6,787	-	6,787
MCSO	28,952	-	28,952
COOOL program	12,054	-	12,054
Jobs program	6,188	-	6,188
Supporting Services:			
Administrative	64,697	-	64,697
Fundraising	44,821	-	44,821
<i>Total Expenses</i>	<i>436,637</i>	<i>-</i>	<i>436,637</i>
<i>CHANGE IN NET ASSETS</i>	<i>(44,633)</i>	<i>10,000</i>	<i>(34,633)</i>
<i>NET ASSETS, BEGINNING</i>	<i>407,700</i>	<i>27,007</i>	<i>434,707</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 363,067</i>	<i>\$ 37,007</i>	<i>\$ 400,074</i>

Changed Choices, Inc.**Statement of Activities****Year Ended December 31, 2018**

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
<u>SUPPORT AND REVENUE</u>			
Contributions:			
Churches	\$ 58,749	\$ -	\$ 58,749
Corporations and foundations	17,789	-	17,789
Matching gifts	3,187	-	3,187
Individuals	113,899	-	113,899
In-kind contributions	6,000	-	6,000
Program service fees	9,079	-	9,079
Government grants	41,583	-	41,583
Fees - training services	16,035	-	16,035
Grants	68,650	-	68,650
Special events	37,314	-	37,314
Investment income	994	-	994
Net assets released from restrictions	5,608	(5,608)	-
<i>Total Support and Revenue</i>	378,887	(5,608)	373,279
<u>EXPENSES</u>			
Program Services:			
Pre-release	89,973	-	89,973
Re-entry	147,786	-	147,786
MCSO	17,256	-	17,256
COOOL program	10,289	-	10,289
Jobs program	18,897	-	18,897
Supporting Services:			
Administrative	50,905	-	50,905
Fundraising	22,918	-	22,918
<i>Total Expenses</i>	358,024	-	358,024
<i>CHANGE IN NET ASSETS</i>	20,863	(5,608)	15,255
<i>NET ASSETS, BEGINNING</i>	386,837	32,615	419,452
<i>NET ASSETS, ENDING</i>	\$ 407,700	\$ 27,007	\$ 434,707

Changed Choices, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

Year Ended December 31, 2019												
	Pre-Release	Re-Entry	Counseling	MSCO	COOOL Program	Jobs Program	Total Program Services	Administrative	Fundraising	Total Supporting Services	Total Expenses	
Salaries	\$ 56,983	\$ 126,963	\$ 5,258	\$ 19,529	\$ 10,438	\$ 4,849	\$ 224,020	\$ 52,891	\$ 25,849	\$ 78,740	\$ 302,760	
Occupancy	3,499	10,594	-	130	100	20	14,343	138	60	198	14,541	
Contract labor	2,650	9,363	-	6,919	-	-	18,932	-	5,681	5,681	24,613	
Payroll taxes	4,405	8,500	410	1,511	814	377	16,017	3,664	1,994	5,658	21,675	
Insurance	1,948	4,235	85	423	339	-	7,030	1,016	423	1,439	8,469	
Legal and professional fees	-	-	720	-	-	-	720	4,679	1,429	6,108	6,828	
Stipends	7,717	-	-	-	-	-	7,717	-	-	-	7,717	
Transportation and parking	920	5,764	52	359	298	23	7,416	81	280	361	7,777	
Technology	4,550	2,922	16	81	65	-	7,634	194	81	275	7,909	
Clothing, food and supplies	2,166	1,919	16	-	-	300	4,401	367	2,666	3,033	7,434	
Depreciation	-	5,364	-	-	-	-	5,364	-	-	-	5,364	
Education and camps	150	962	-	-	-	405	1,517	-	-	-	1,517	
Office supplies	1,884	1,548	-	-	-	8	3,440	244	287	531	3,971	
Retreat	-	3,279	-	-	-	-	3,279	371	-	371	3,650	
Repairs and maintenance	-	540	-	-	-	-	540	-	-	-	540	
Postage	842	46	-	-	-	-	888	92	1,458	1,550	2,438	
Printing	234	93	-	-	-	-	327	-	2,281	2,281	2,608	
Books and Bibles	603	125	-	-	-	-	728	-	-	-	728	
Advertising and promotion	-	-	-	-	-	96	96	337	423	760	856	
Dues and fees	-	-	-	-	-	-	-	380	545	925	925	
Volunteer and staff appreciation	381	365	-	-	-	110	856	243	64	307	1,163	
Volunteer and community events	840	784	230	-	-	-	1,854	-	1,300	1,300	3,154	
TOTAL EXPENSES	\$ 89,772	\$ 183,366	\$ 6,787	\$ 28,952	\$ 12,054	\$ 6,188	\$ 327,119	\$ 64,697	\$ 44,821	\$ 109,518	\$ 436,637	

Changed Choices, Inc.**Statement of Functional Expenses****Year Ended December 31, 2018**

	Year Ended December 31, 2018										
	Pre-Release	Re-Entry	MSCO	COOOL Program	Jobs Program	Total Program Services	Administrative	Fundraising	Total Supporting Services	Total Expenses	
Salaries	\$ 54,112	\$ 101,218	\$ 10,791	\$ 8,886	\$ 11,725	\$ 186,732	\$ 32,280	\$ 7,616	\$ 39,896	\$ 226,628	
Occupancy	5,899	13,902	225	-	10	20,036	394	-	394	20,430	
Contract labor	4,050	300	4,736	-	-	9,086	-	9,820	9,820	18,906	
Payroll taxes	4,620	-	921	732	1,011	7,284	2,642	641	3,283	10,567	
Insurance	1,827	3,338	374	311	388	6,238	2,130	268	2,398	8,636	
Legal and professional fees	1,015	180	110	-	-	1,305	11,082	798	11,880	13,185	
Stipends	6,818	-	-	-	-	6,818	-	-	-	6,818	
Transportation and parking	608	2,591	99	304	5	3,607	41	64	105	3,712	
Clothing, food and supplies	2,743	2,746	-	-	-	5,489	284	1,617	1,901	7,390	
Depreciation	-	5,364	-	-	-	5,364	-	-	-	5,364	
Education and camps	864	1,335	-	-	5,662	7,861	157	39	196	8,057	
Office supplies	1,838	1,634	-	49	-	3,521	813	5	818	4,339	
Retreat	-	2,134	-	-	-	2,134	-	-	-	2,134	
Repairs and maintenance	69	2,882	-	-	-	2,951	-	-	-	2,951	
Postage	1,511	570	-	-	-	2,081	82	1,164	1,246	3,327	
Printing	234	-	-	-	-	234	-	540	540	774	
Books and Bibles	3,230	360	-	-	-	3,590	4	-	4	3,594	
Advertising and promotion	-	8,540	-	-	96	8,636	376	-	376	9,012	
Dues and fees	-	-	-	-	-	-	420	346	766	766	
Volunteer and staff appreciation	185	333	-	7	-	525	200	-	200	725	
Volunteer training	350	359	-	-	-	709	-	-	-	709	
TOTAL EXPENSES	\$ 89,973	\$ 147,786	\$ 17,256	\$ 10,289	\$ 18,897	\$ 284,201	\$ 50,905	\$ 22,918	\$ 73,823	\$ 358,024	

Changed Choices, Inc.**Statements of Cash Flows****Years Ended December 31, 2019 and 2018**

	Year Ended December 31,	
	2019	2018
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (34,633)	\$ 15,255
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	5,364	5,364
Changes in operating assets and liabilities:		
Pledges receivable	(6,650)	-
Receivables	529	25,865
Prepaid expenses and deposits	-	110
Certificate of deposits	47,783	(150,661)
Accounts payable and accrued expenses	3,393	(2,557)
	<hr/>	<hr/>
<i>Cash Flows From Operating Activities</i>	15,786	(106,624)
	<hr/>	<hr/>
<i>NET CHANGE IN CASH</i>	15,786	(106,624)
	<hr/>	<hr/>
<i>CASH, BEGINNING</i>	118,594	225,218
	<hr/>	<hr/>
<i>CASH, ENDING</i>	\$ 134,380	\$ 118,594
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Changed Choices, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF MINISTRY

Description of Ministry

Changed Choices, Inc. (the “Organization”) is a not-for-profit corporation of Christ-followers that provides counseling, personal development programs, basic physical needs, transitional assistance, and family support to assure the successful rehabilitation and post-release transition of incarcerated women who have proven themselves committed to making positive, productive, and sustainable choices in their lives.

Major Programs Include:

Mecklenburg County Sheriff’s Office

The Organization serves women incarcerated in the Mecklenburg County Detention Center with professional counseling and classes using evidence-based curriculum with topics including parenting, self-control, responsible thinking, skills for successful living, social values and others. The Organization also recruits, trains and supports volunteers serving in the chaplain’s unit who teach Bible studies and lead Moms in Prayer.

COOOL

Changing Our Outlook On Life (“COOOL”) is a mentoring program provided by the Organization to women in custody of the Mecklenburg County Sheriff’s Office. This mentoring program models healthy relationships as an integral part of a woman’s growth and development.

Pre-release (CARE I)

For entry to its wraparound CARE program, the Organization seeks women demonstrating a true desire to change, with ties to Mecklenburg County, and a minimum of two years of incarceration ahead of them. Throughout this time, each woman is encouraged to develop healthy values and attitudes; to understand the past and present issues that caused them to make negative choices; to develop their decision-making abilities and to recognize their potential and to prepare them for successful re-entry into society. While the women in our pre-release program are incarcerated, their families receive support such as free professional counseling, food, home furnishings, clothing, school supplies, Christmas gifts, birthday gifts and referrals to agency partners for additional services. When possible, volunteers assist with transportation to facilitate visits between children and their mothers in prison. The Organization serves 40-50 pre-release women each year.

Reentry (CARE II)

In this second phase of the CARE program, the Organization provides holistic services to women as they reenter the Charlotte, NC community. As clients near the end of their sentence, the Organization works to ensure that they have a written reentry plan in place. Additionally, the Organization assists these clients with needs such as professional counseling, transportation, housing, family support, substance abuse referrals and case management. The objective of the program is to provide clients with a sense of security, confidence, and well-being that empowers them to make positive decisions, break dysfunctional patterns, and practice effective communication with their children, families, and future employers. As clients become established in their new lives, the Organization’s services gradually decrease.

Changed Choices, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

The Organization's balance of cash and cash equivalents as of December 31, 2019, is comprised of cash on hand and certificates of deposits with a maturity of three months or less.

Financial statement presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Contributions and revenue are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with donor restrictions. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with restrictions are released to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Net assets subject to permanent donor-imposed stipulations are also included as a component of net assets with donor restrictions. During the periods presented, the Organization had no net assets with donor restrictions that were permanently restricted.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value.

The Organization received non-cash contributions during the year ended December 31, 2019 and 2018, in the form of goods and services that are required to be recognized in the accompanying statement of activities. In-kind contributions are detailed as follows:

	<u>2019</u>	<u>2018</u>
Professional services	\$ -	\$ 6,000
Donated vehicles	<u>2,000</u>	<u>-</u>
TOTAL	<u>\$ 2,000</u>	<u>\$ 6,000</u>

Changed Choices, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various assignments. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer assistants, donated approximately 10,400 and 10,000 hours during the years ended December 31, 2019 and 2018, respectively, to assist the Organization in achieving the goals of its programs. The Organization estimates the value of these services to be of \$265,000 and \$246,000 for the years ended December 31, 2019 and 2018, respectively. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria for specialized skills.

Certain salary expenses for the volunteer coordinator are classified as fundraising expense on the statements of functional expenses.

Functional allocation of expenses

The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and general and administrative activities. Allocated expenses include insurance, compensation, and occupancy, which are allocated based on estimates of time and effort. All other expenses are allocated on an analysis of the various expenses that comprise those costs.

Federal income tax status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

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

NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give are presented net of an allowance for doubtful accounts as calculated by management. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Management has determined that no allowance was needed for promises to give at December 31, 2019 and December 31, 2018. All outstanding pledges at December 31, 2019 are expected to be collected in 2020.

Changed Choices, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 50,000	\$ 50,000
Residence	<u>147,540</u>	<u>147,540</u>
Total Property and Equipment	197,540	197,540
Less - accumulated depreciation	<u>(17,497)</u>	<u>(12,133)</u>
PROPERTY AND EQUIPMENT, NET	<u><u>\$ 180,043</u></u>	<u><u>\$ 185,407</u></u>

Property and equipment with a value of \$1,000 or more is recorded at cost if purchased or 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 27.5 years.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Funds that have been received by the Organization for a particular purpose or period of time that have remaining restrictions at December 31, are detailed as follows:

	<u>2019</u>	<u>2018</u>
Unutilized funds:		
Capital improvements	\$ 25,762	\$ 25,762
JOBS program	1,000	1,000
Transitional savings	245	245
Home Renovations	<u>10,000</u>	<u>-</u>
TOTAL	<u><u>\$ 37,007</u></u>	<u><u>\$ 27,007</u></u>

Net assets released from restrictions

There were no net assets released from restrictions for the year ended December 31, 2019. For the years ended December 31, 2018, \$5,608 was released from donor restrictions by incurring expenses satisfying the restricted purposes.

NOTE 6 – LINE OF CREDIT

In 2019, the Organization established a \$100,000 line of credit at a bank, collateralized by residential real estate, bearing interest at prime, with a minimum rate of 4%. There were no borrowings on the line as of December 31, 2019.

Changed Choices, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$244,304 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and certificates of deposit of \$237,258, accounts receivable of \$396, and pledges receivable of \$6,650. Out of the \$244,304, \$37,007 is donor restricted for various programs. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 – CONCENTRATIONS OF RISK

Funding

During the years ended December 31, 2019 and 2018, the Organization received a significant piece of its funding from a limited number of funding sources, a large amount of which is renewable annually. This represents a significant concentration of risk that operations could be affected if any of these sources unexpectedly discontinued their funding of the Organization.

Government grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Geographic area

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

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. With the events of COVID-19, the Organization has reevaluated operations for the foreseeable future, at this point the direct impact is unknown, however, the Organization has implemented procedures to minimize any negative impact.

In April, 2020, the Organization was approved for a loan \$62,500 under the Payroll Protection Program (“PPP”) established by section 1102 of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act administered by the Small Business Administration (SBA).

The loan bears interest at 1%, is unsecured, and is due in eighteen monthly installments of \$3,518 beginning November, 2020 through April, 2022; however, all or a portion of the loan may be forgiven based upon the payment of qualified expenses during the eight-week period after receiving the loan, as specified in the PPP rules.