

THE GREEN CHAIR PROJECT

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR
ANN H. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS
MICHELLE W. LEMANSKI
JARED L. PILAND

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

Independent Auditors' Report

The Board of Directors
The Green Chair Project:

We have audited the accompanying financial statements of The Green Chair Project (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 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 auditors consider 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 The Green Chair Project as of December 31, 2017 and 2016, 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.


October 26, 2018

THE GREEN CHAIR PROJECT

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 753,507	575,072
Accounts receivable	12,500	2,615
Pledges receivable, net of reserve and discount	74,055	-
Inventory	464,222	365,466
Prepaid expenses	930	398
Total current assets	<u>1,305,214</u>	<u>943,551</u>
Property and equipment, net	2,433,551	2,472,975
Pledges receivable	<u>114,550</u>	<u>-</u>
Total assets	<u>\$ 3,853,315</u>	<u>3,416,526</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	4,878	14,332
Accrued expenses	9,394	5,307
Current portion of long-term debt	<u>44,573</u>	<u>43,200</u>
Total current liabilities	58,845	62,839
Long-term debt	<u>1,652,381</u>	<u>1,696,955</u>
Total liabilities	1,711,226	1,759,794
Net assets:		
Unrestricted	1,755,960	1,511,711
Temporarily restricted	<u>386,129</u>	<u>145,021</u>
Total net assets	<u>2,142,089</u>	<u>1,656,732</u>
Total liabilities and net assets	<u>\$ 3,853,315</u>	<u>3,416,526</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Activities

Year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 56,530	-	56,530
Contributions	343,816	11,811	355,627
Program fees	80,568	-	80,568
Fundraising:			
Cash contributions	324,779	-	324,779
Non-cash contributions	102,142	-	102,142
Capital campaign - cash contributions	94,097	229,297	323,394
Non-cash contributions - other	952,009	-	952,009
Rental income	23,100	-	23,100
Interest income	254	-	254
Other revenue	123	-	123
Net assets released from restrictions- restrictions satisfied by costs incurred and expiration of time	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,977,418</u>	<u>241,108</u>	<u>2,218,526</u>
Expenses:			
Program services	1,377,599	-	1,377,599
Fundraising	214,800	-	214,800
General and administrative	140,770	-	140,770
Total expenses	<u>1,733,169</u>	<u>-</u>	<u>1,733,169</u>
Change in net assets	244,249	241,108	485,357
Net assets, beginning of year	<u>1,511,711</u>	<u>145,021</u>	<u>1,656,732</u>
Net assets, end of year	\$ <u>1,755,960</u>	<u>386,129</u>	<u>2,142,089</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Activities

Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 34,244	-	34,244
Contributions	315,201	-	315,201
Program fees	74,023	-	74,023
Fundraising:			
Cash contributions	195,174	-	195,174
Non-cash contributions	112,622	-	112,622
Capital campaign:			
Cash contributions	159,979	145,021	305,000
Non-cash contributions	574,409	-	574,409
Non-cash contributions - other	641,269	-	641,269
Rental income	3,544	-	3,544
Interest income	209	-	209
Other revenue	1,397	-	1,397
Net assets released from restrictions- restrictions satisfied by costs incurred and expiration of time	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
Total revenue and support	<u>2,152,071</u>	<u>105,021</u>	<u>2,257,092</u>
Expenses:			
Program services	1,016,083	-	1,016,083
Fundraising	245,633	-	245,633
General and administrative	111,625	-	111,625
Total expenses	<u>1,373,341</u>	<u>-</u>	<u>1,373,341</u>
Change in net assets	778,730	105,021	883,751
Net assets, beginning of year	<u>732,981</u>	<u>40,000</u>	<u>772,981</u>
Net assets, end of year	\$ <u>1,511,711</u>	<u>145,021</u>	<u>1,656,732</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Functional Expenses

Year ended December 31, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Furnishings assistance	\$ 869,487	-	-	869,487
Bedding assistance	109,254	-	-	109,254
Rent	161	9	9	179
Utilities	23,303	1,295	1,295	25,893
Maintenance	20,020	1,112	1,112	22,244
Salaries expense	190,943	88,303	81,762	361,008
Professional fees	-	-	9,662	9,662
Travel	12,444	-	-	12,444
Transportation	38,515	-	-	38,515
Software/online services	8,077	-	-	8,077
Special events	-	70,907	-	70,907
Capital campaign costs	-	47,828	-	47,828
Bank fees	-	-	12,007	12,007
Marketing	-	-	9,172	9,172
Miscellaneous	12,623	240	314	13,177
Telephone and internet	-	-	2,128	2,128
Office expense	-	-	18,202	18,202
Interest expense	50,017	2,779	2,779	55,575
Dues and memberships	852	-	-	852
Insurance	4,901	272	272	5,445
Depreciation and amortization	37,002	2,055	2,056	41,113
	<u>\$ 1,377,599</u>	<u>214,800</u>	<u>140,770</u>	<u>1,733,169</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Functional Expenses

Year ended December 31, 2016

	<u>Program</u> <u>Services</u>	<u>Fundraising</u>	<u>General and</u> <u>Administrative</u>	<u>Total</u>
Furnishings assistance	\$ 570,182	-	-	570,182
Bedding assistance	100,570	-	-	100,570
Rent	61,281	3,404	3,405	68,090
Utilities	24,230	1,346	1,346	26,922
Maintenance	1,287	72	72	1,431
Salaries expense	139,754	70,484	65,263	275,501
Professional fees	-	-	9,098	9,098
Travel	1,812	-	-	1,812
Transportation	22,892	-	-	22,892
Software/online services	3,860	-	-	3,860
Special events	-	142,494	-	142,494
Capital campaign costs	-	23,091	-	23,091
Bank fees	-	-	7,385	7,385
Marketing	-	-	1,853	1,853
Miscellaneous	9,115	290	259	9,664
Telephone and internet	-	-	4,710	4,710
Office expense	-	-	13,782	13,782
Interest expense	9,463	526	526	10,515
Property taxes	4,835	269	269	5,373
Dues and memberships	970	-	-	970
Insurance	4,929	274	274	5,477
Depreciation and amortization	<u>60,903</u>	<u>3,383</u>	<u>3,383</u>	<u>67,669</u>
	<u>\$ 1,016,083</u>	<u>245,633</u>	<u>111,625</u>	<u>1,373,341</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 485,357	883,751
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
In-kind donation of property and equipment	-	(540,000)
Depreciation and amortization	41,113	67,669
Changes in operating assets and liabilities:		
Accounts receivable	(9,885)	(950)
Pledges receivable	(188,605)	-
Inventory	(98,756)	(38,317)
Prepaid expenses	(532)	2,714
Accounts payable	(9,454)	13,495
Accrued expenses	4,086	1,678
Net cash provided by operating activities	<u>223,324</u>	<u>390,040</u>
Cash flows used in investing activities - purchases of property and equipment	<u>(1,689)</u>	<u>(1,932,792)</u>
Cash flows (used in) provided by financing activities:		
Proceeds from loans	-	1,750,000
Principal payments on long-term debt	<u>(43,200)</u>	<u>(9,845)</u>
Net cash (used in) provided by financing activities	<u>(43,200)</u>	<u>1,740,155</u>
Net increase in cash and cash equivalents	178,435	197,403
Cash and cash equivalents, beginning of year	<u>575,072</u>	<u>377,669</u>
Cash and cash equivalents, end of year	\$ <u><u>753,507</u></u>	<u><u>575,072</u></u>
Supplemental disclosure of cash flow information:		
Interest paid during year	\$ <u><u>55,575</u></u>	<u><u>10,515</u></u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Notes to Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies

The Green Chair Project ("TGCP" or "Organization") is a North Carolina not-for-profit organization established and incorporated in 2010. The Organization operates from a single location in Raleigh, North Carolina. The purpose of The Green Chair Project is to reuse donated household furnishings to renew lives of participants referred from area programs who are recovering after homelessness, crisis or disaster.

Basis of Accounting and Revenue Recognition

TGCP's policy is to prepare its financial statements on the accrual basis of accounting. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There are no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, TGCP considers all checking, savings and money market accounts to be cash equivalents. At any given time, amounts in the accounts may exceed the \$250,000 federally insured limit.

Accounts Receivable

TGCP writes off doubtful receivables in amounts equal to the estimated collection losses that will be incurred. The allowance for doubtful accounts was \$0 for both 2017 and 2016.

Pledges Receivable

Pledges receivable are recognized when the donor makes a promise to give to TGCP that is, in substance, unconditional. Pledges to be received after one year are discounted. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the status of individual accounts. Any accounts deemed uncollectible are written off through this valuation allowance during the year.

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchased assets are recorded at cost. Donated items are recorded at estimated fair market value at time of receipt.

Depreciation is computed using the straight-line method over estimated useful lives of 5 to 7 years for furniture and equipment.

Donated Goods Inventory

Donated goods inventory is recorded at fair value. The fair value is the estimated donation value of the donated goods inventory.

Donated Services and Goods

TGCP receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, program activities, and special events. No amounts have been recognized in the statements of activities because the criteria for recognition, as defined below, have not been satisfied.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their fair values, as provided by the donor, in the period received.

Donated goods are reflected as contributions in the accompanying statements at their estimated fair values with an offsetting charge to expense or recording of an asset (inventory or property).

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and amounts included in accruals meeting the definition of a financial instrument under U.S. GAAP approximate fair value due to their short-term nature.

For determining fair value measurements, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Management follows an established framework for measuring fair value. That framework provides a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority.

A financial asset or liability's classification is determined based on the lowest level input that is significant to the fair value measurement. Cash and cash equivalents include cash accounts and money market funds and, as such, are categorized as Level 1.

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 these estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated on a pro-rata basis among the programs and supporting services benefited.

Net Assets

Unrestricted – Resources of TGCP that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

Temporarily Restricted – Resources that carry a donor-imposed restriction that permits TGCP to use or expend the donated assets for a specific purpose. The restrictions can be satisfied by the passage of time or by actions of TGCP.

Permanently Restricted – Resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit TGCP to use or expend part or all of the income derived from the donated assets.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued final guidance intended to improve financial statement presentation by not-for-profit (NFP) organizations – a model that has existed for more than 20 years. The new guidance will affect substantially all NFPs, including charities, foundation, private colleges and universities, non-governmental health care providers, cultural institutions, religious organizations, and trade associations, among others. The amendments require NFPs to improve their presentation and disclosures to provide more relevant information about their resources (and the changes in those resources) to their donors, grantors, creditors and other users. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Management is currently assessing the impact of this accounting standard.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on TGCP's financial position, results of operations or cash flows.

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2017 and 2016

(2) Property and Equipment

TGCP's property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 12,142	10,453
Computers	4,092	4,092
Building	1,506,566	1,506,566
Land	<u>964,000</u>	<u>964,000</u>
	2,486,800	2,485,111
Less accumulated depreciation and amortization	<u>(53,249)</u>	<u>(12,136)</u>
Property and equipment, net	\$ <u>2,433,551</u>	<u>2,472,975</u>

(3) Concentration of Credit Risk

Cash and cash equivalents consist of accounts held with two North Carolina banks. As of December 31, 2017 and 2016, the amount held in the bank accounts exceeded the federally insured limit of \$250,000 by \$243,539 and \$71,884, respectively.

(4) Income Taxes

TGCP is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code, and contributions to TGCP are tax deductible by donors.

(5) Donated Services and Goods

The fair market value of contributed goods and services is reported as non-cash contributions revenue and as expense (or property and equipment) in the period received as follows:

Capital Campaign:		
Property and equipment	\$ -	540,000
Professional services	-	27,421
Program inventory	945,516	641,269
Fundraising	102,142	112,622
Other	<u>6,493</u>	<u>6,988</u>
Total non-cash contributions	\$ <u>1,054,151</u>	<u>1,328,300</u>

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2017 and 2016

(6) Capital Campaign and Building Acquisition

In 2016, TGCP was approached by their landlord to negotiate terms for the acquisition of their leased facility on Capital Boulevard in Raleigh, North Carolina. The facility had been leased and occupied by TGCP since 2011. After a long due diligence period, and with the generosity of the seller and a large individual cash donation, TGCP decided to initiate a capital campaign to acquire the facility.

On October 21, 2016, the land and building were acquired by TGCP at a bargain sales price significantly below market value. The difference between fair market value and the selling price was recognized as an in-kind contribution to TGCP and is reflected in Note 5.

TGCP borrowed \$1,600,000 from a financial institution and \$150,000 from one of the sellers of the building. See Note 8.

(7) Operating Leases

TGCP leased office space in Raleigh, North Carolina under an agreement beginning on November 1, 2011, and which expired on October 31, 2016. Monthly rent was \$4,613 with an annual 3% increase plus \$1,344 monthly utilities expense.

On April 1, 2012, TGCP entered into a fifty-five month lease for additional space that expired on October 31, 2016. The monthly lease payment for the additional space was \$1,047 with an annual 3% increase plus \$305 monthly utilities expense.

On March 1, 2014, TGCP entered into a thirty-two month lease for additional space that expired on October 31, 2016. The monthly lease payment for the additional space was \$1,030 with an annual 3% increase plus \$870 monthly utilities expense.

Rent expense for 2017 and 2016 was \$0 and \$68,090, respectively.

THE GREEN CHAIR PROJECT
Notes to Financial Statements, Continued
December 31, 2017 and 2016

(8) Notes Payable

Notes payable consist of the following:

	<u>2017</u>	<u>2016</u>
Note payable to a financial institution, secured by a building on Capital Boulevard, with monthly payments of \$7,700 including interest at 3.09% beginning November 21, 2016, and maturing on October 21, 2023.	\$ 1,546,954	1,590,155
Note payable to an LLC secured by a building on Capital Boulevard. Interest due monthly at 4.25% beginning November 1, 2016. Matures October 21, 2021.	<u>150,000</u>	<u>150,000</u>
	1,696,954	1,740,155
Less current portion	<u>(44,573)</u>	<u>(43,200)</u>
	\$ <u>1,652,381</u>	<u>1,696,955</u>

Repayments required by loan agreements are as follows:

<u>Years ending December 31,</u>	
2018	\$ 44,573
2019	45,990
2020	47,324
2021	198,955
2022	50,512
2023	<u>1,309,600</u>
	\$ <u>1,696,954</u>

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2017 and 2016

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets reported in the statements of financial position as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Capital projects and reserves	\$ 374,318	145,021
Sweeter Dreams program	<u>11,811</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 386,129</u>	<u>145,021</u>

(10) Pledges Receivable

As of December 31, 2017, donors to TGCP have made promises to give consisting of the following:

	<u>2017</u>
Unconditional promises - restricted to Capital Campaign:	
Due in less than one year	\$ 82,700
Due in one to five years	<u>114,550</u>
Gross promises to give	197,250
Less allowance for doubtful pledges	(2,091)
Less unamortized discount at 3.5%	<u>(6,554)</u>
Net promises to give	<u>\$ 188,605</u>

(11) Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications had no impact on changes in net assets or net assets as previously reported.

(12) Subsequent Events

The date to which events occurring after December 31, 2017, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is October 26, 2018, the date the financial statements were available to be issued.

TGCP began a \$1.7 million renovation of its facility in October, 2018 that should be completed by March, 2019. Capital campaign funds, a \$498,000 grant from the City of Raleigh, and proceeds from a \$700,000 line of credit tentatively approved by a financial institution will be used to pay for the renovations.

The \$150,000 note payable to an LLC was paid in full on January 31, 2018.