

THE GREEN CHAIR PROJECT

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

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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, 2018 and 2017, 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, 2018 and 2017, 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.

New Accounting Standard

As discussed in note 1, The Green Chair Project adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Batchelor, Jimmy # Roberts, LLP

August 12, 2019

THE GREEN CHAIR PROJECT

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 881,031	753,507
Accounts receivable	8,125	12,500
Pledges receivable, net of reserve and discount	90,586	74,055
Inventory	293,525	464,222
Prepaid expenses	2,009	930
Total current assets	<u>1,275,276</u>	<u>1,305,214</u>
Property and equipment, net	2,779,702	2,433,551
Pledges receivable	<u>63,425</u>	<u>114,550</u>
Total assets	<u>\$ 4,118,403</u>	<u>3,853,315</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	25,188	4,878
Accrued expenses	9,834	9,394
Current portion of long-term debt	<u>45,990</u>	<u>44,573</u>
Total current liabilities	81,012	58,845
Long-term debt	<u>1,456,391</u>	<u>1,652,381</u>
Total liabilities	1,537,403	1,711,226
Net assets:		
Without donor restrictions	1,904,882	1,755,960
With donor restrictions	<u>676,118</u>	<u>386,129</u>
Total net assets	<u>2,581,000</u>	<u>2,142,089</u>
Total liabilities and net assets	<u>\$ 4,118,403</u>	<u>3,853,315</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Activities

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 13,800	-	13,800
Contributions	474,198	-	474,198
Program fees	108,880	-	108,880
Fundraising:			
Cash contributions	414,262	-	414,262
Non-cash contributions	116,218	-	116,218
Capital campaign -			
cash contributions	380,222	301,800	682,022
Non-cash contributions - other	689,107	-	689,107
Interest income	3,127	-	3,127
Other revenue	20	-	20
Net assets released from restrictions- restrictions satisfied by costs incurred and expiration of time	<u>11,811</u>	<u>(11,811)</u>	<u>-</u>
Total revenue and support	<u>2,211,645</u>	<u>289,989</u>	<u>2,501,634</u>
Expenses:			
Program services	1,608,292	-	1,608,292
Fundraising	246,197	-	246,197
Management and general	208,234	-	208,234
Total expenses	<u>2,062,723</u>	<u>-</u>	<u>2,062,723</u>
Change in net assets	148,922	289,989	438,911
Net assets, beginning of year	<u>1,755,960</u>	<u>386,129</u>	<u>2,142,089</u>
Net assets, end of year	\$ <u>1,904,882</u>	<u>676,118</u>	<u>2,581,000</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Activities

Year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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
Management and general	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 Functional Expenses

Year ended December 31, 2018

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Furnishings assistance	\$ 922,715	-	-	922,715
Bedding assistance	71,075	-	-	71,075
Disaster expense	17,660	-	-	17,660
Utilities	25,097	801	801	26,699
Maintenance	23,556	752	752	25,060
Salaries expense	303,969	138,292	128,048	570,309
Retirement	3,013	-	-	3,013
Professional fees	-	-	30,093	30,093
Travel	7,759	-	-	7,759
Transportation	96,921	-	-	96,921
Software/online services	14,124	-	-	14,124
Special events	-	68,975	-	68,975
Capital campaign costs	-	33,904	-	33,904
Bank fees	-	-	14,924	14,924
Marketing	-	-	13,748	13,748
Miscellaneous	25,167	374	374	25,915
Telephone and internet	-	-	3,442	3,442
Office expense	-	-	12,953	12,953
Interest expense	45,505	1,452	1,452	48,409
Dues and memberships	121	-	-	121
Insurance	12,876	411	411	13,698
Depreciation and amortization	38,734	1,236	1,236	41,206
	\$ <u>1,608,292</u>	<u>246,197</u>	<u>208,234</u>	<u>2,062,723</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Statement of Functional Expenses

Year ended December 31, 2017

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
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

Statements of Cash Flows

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 438,911	485,357
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,206	41,113
Changes in operating assets and liabilities:		
Accounts receivable	4,375	(9,885)
Pledges receivable	34,594	(188,605)
Inventory	170,697	(98,756)
Prepaid expenses	(1,079)	(532)
Accounts payable	20,310	(9,454)
Accrued expenses	440	4,086
Net cash provided by operating activities	<u>709,454</u>	<u>223,324</u>
Cash flows used in investing activities - purchases of property and equipment	<u>(387,357)</u>	<u>(1,689)</u>
Cash flows used in financing activities - Principal payments on long-term debt	<u>(194,573)</u>	<u>(43,200)</u>
Net increase in cash and cash equivalents	127,524	178,435
Cash and cash equivalents, beginning of year	<u>753,507</u>	<u>575,072</u>
Cash and cash equivalents, end of year	\$ <u>881,031</u>	<u>753,507</u>
Supplemental disclosure of cash flow information:		
Interest paid during year	\$ <u>48,409</u>	<u>55,575</u>

See accompanying notes to financial statements.

THE GREEN CHAIR PROJECT

Notes to Financial Statements

December 31, 2018 and 2017

(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. Revenues are recognized when earned and expenses are recognized when incurred.

Donor-restricted support is reported as an increase in net assets without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions with donor imposed restrictions that expire in the same time period as received are reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions.

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 2018 and 2017.

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 allowance for doubtful pledges was \$1,268 and \$2,091 in 2018 and 2017, respectively.

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(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 39 years for building and improvements and 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 and pledges 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, 2018 and 2017

(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.

Adoption of New Accounting Pronouncements

For the year ended December 31, 2018, TGCP adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the description of the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. In addition, information regarding liquidity and availability of resources is presented in the notes to the financial statements.

(2) Property and Equipment

TGCP's property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 17,352	12,142
Computers	6,016	4,092
Building	1,506,566	1,506,566
Building improvements	380,222	-
Land	<u>964,000</u>	<u>964,000</u>
	2,874,156	2,486,800
Less accumulated depreciation and amortization	<u>(94,454)</u>	<u>(53,249)</u>
Property and equipment, net	<u>\$ 2,779,702</u>	<u>2,433,551</u>

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(3) Concentration of Credit Risk

Cash and cash equivalents consist of accounts held with two North Carolina banks. As of December 31, 2018 and 2017, the amount held in the bank accounts exceeded the federally insured limit of \$250,000 by \$380,392 and \$243,539, 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:

	<u>2018</u>	<u>2017</u>
Program inventory	\$ 689,107	945,516
Fundraising	116,218	102,142
Other	<u>-</u>	<u>6,493</u>
Total non-cash contributions	\$ <u>805,325</u>	<u>1,054,151</u>

(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.

TGCP borrowed \$1,600,000 from a financial institution and \$150,000 from one of the sellers of the building. The \$150,000 note payable was paid in full on January 31, 2018. See Note 7.

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(7) Notes Payable

Notes payable consist of the following:

	<u>2018</u>	<u>2017</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.	\$ 1,502,381	1,546,954
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. Paid in full in January, 2018.	-	150,000
	<u>1,502,381</u>	<u>1,696,954</u>
Less current portion	<u>(45,990)</u>	<u>(44,573)</u>
	<u>\$ 1,456,391</u>	<u>1,652,381</u>

Repayments required by loan agreements are as follows:

<u>Years ending December 31,</u>	
2019	\$ 45,990
2020	47,324
2021	48,956
2022	50,511
2023	<u>1,309,600</u>
	<u>\$ 1,502,381</u>

(8) Information Regarding Liquidity and Availability

TGCP regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, TGCP considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

TGCP's financial assets as of December 31, 2018 consist of cash and accounts and pledges receivable, resulting in net financial assets of \$979,742, all of which are available to meet general expenditures within one year of the financial statement date.

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(8) Information Regarding Liquidity and Availability, Continued

	<u>2018</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 881,031
Accounts receivable	8,125
Pledges receivable	154,011
less amounts due in >1 year	<u>(63,425)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>979,742</u>

In addition to financial assets available to meet general expenditures over the next 12 months, TGCP operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

(9) Net Assets

Net assets with donor restrictions reported in the statements of financial position as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Capital projects and reserves	\$ 676,118	374,318
Sweeter Dreams program	<u>-</u>	<u>11,811</u>
Total net assets with donor restrictions	\$ <u>676,118</u>	<u>386,129</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose restrictions specified by donors:

	<u>2018</u>	<u>2017</u>
Programs and services	\$ <u>11,811</u>	<u>-</u>

THE GREEN CHAIR PROJECT

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(10) Pledges Receivable

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

	<u>2018</u>	<u>2017</u>
Unconditional promises - restricted to Capital Campaign:		
Due in less than one year	\$ 97,486	82,700
Due in one to five years	<u>63,425</u>	<u>114,550</u>
Gross promises to give	160,911	197,250
Less allowance for doubtful pledges	(1,268)	(2,091)
Less unamortized discount at 3.5%	<u>(5,632)</u>	<u>(6,554)</u>
Net promises to give	\$ <u>154,011</u>	<u>188,605</u>

(11) Retirement Plan

During 2018, TGCP adopted a retirement plan qualified under Section 401(k) of the Internal Revenue Code. All full-time and part-time permanent employees who are at least 21 years old and have completed 90 days of employment are eligible to participate. Participants are allowed to make voluntary contributions up to the maximum percentage allowable, not to exceed the limit presented by the IRC. TGCP may make matching contribution determined annually by the Board of Directors. Participants do not vest with respect to TGCP's contributions during the first year of service, and vest 20%, 40%, 60%, 80% and 100% through the next five years of service, respectively. Employer contributions to the 401(k) Plan for 2018 totaled \$3,013.

(12) Subsequent Events

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is August 12, 2019, 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 August, 2019. Capital campaign funds, a \$498,000 grant from the City of Raleigh, and proceeds from a \$700,000 line of credit approved by a financial institution will be used to pay for the renovations. As of the date of the issuance of the financial statements, \$398,000 in draws had been made against the \$700,000 line of credit.

TGCP entered into a six month lease on March 1, 2019, for temporary space for disaster relief inventory and administration at a rate of \$2,000 per month while renovations to its main building are being completed.