

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

**ASHEVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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SUZAN H. SLUDER CPA PA

**Suzan H. Sluder, CPA PA**  
Audit, Tax and Accounting

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Western Carolina Rescue Ministries, Inc.  
Asheville, North Carolina

I have audited the accompanying financial statements of Western Carolina Rescue Ministries, Inc. (a non-profit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide for my audit opinion.

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Carolina Rescue Ministries, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Arden, North Carolina  
February 25, 2021

P.O. Box 96 Arden, NC 28704  
828-777-0578  
suzan@sludercpa.com

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

Statement of Financial Position

December 31, 2020

**Assets**

Current assets:

Cash and equivalents	\$	1,305,722
Cash and equivalents-restricted		347,617
Receivable from Buncombe County		26,357
Other receivables		1,884
Prepaid expenses		7,998
Total current assets		<u>1,689,578</u>

Investment in CCRM		38,191
Property and equipment, net		<u>3,261,085</u>

Total assets	\$	<u><u>4,988,854</u></u>
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**Liabilities and Net Assets**

Current liabilities:

Current maturities of long-term notes payable	\$	286,073
Lines of credit		107,194
Accounts payable		17,464
Accounts payable - thrift store		3,074
Accrued liabilities		5,274
Total current liabilities		<u>419,079</u>

Long-term notes payable, less current maturities		<u>1,234,404</u>
Total liabilities		<u>1,653,483</u>

Net Assets:

Without donor restrictions:

Undesignated		1,247,146
Investment in property and equipment		1,740,608
Total net assets without donor restrictions		<u>2,987,754</u>

With donor restrictions		<u>347,617</u>
Total net assets		<u>3,335,371</u>

Total liabilities and net assets	\$	<u><u>4,988,854</u></u>
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The accompanying notes are an integral part of these financial statements.

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

Statement of Activities

For the Year Ended December 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2020 Total</b>
<b>Public support and other revenues:</b>			
Contributions and grants	\$ 1,988,318	\$ 653,517	\$ 2,641,835
Thrift store sales	277,702		277,702
In-kind donations - food	253,815		253,815
In-kind donations - program supplies	11,769		11,769
In-kind donations - parking	7,200		7,200
Other income	47,035		47,035
Releases of restrictions:			
Impact Ministry	52,148	(52,148)	
New Direction	307,989	(307,989)	
Total public support and other revenues	2,945,976	293,380	3,239,356
<b>Expenses:</b>			
Program services	1,661,313		1,661,313
Supporting services	524,886		524,886
Total expenses	2,186,199		2,186,199
Increase (decrease) in net assets	759,777	293,380	1,053,157
Net assets, beginning of year	2,227,977	54,237	2,282,214
Net assets, end of year	\$ 2,987,754	\$ 347,617	\$ 3,335,371

The accompanying notes are an integral part of these financial statements.

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services	Management and General	Fund- Raising	Total Supporting Services	Total
Compensation - mission and thrift store	\$ 595,331	\$ 76,324	\$ 91,589	\$ 167,913	\$ 763,244
Payroll taxes	46,306	5,937	7,124	13,061	59,367
Employee benefits	102,906	13,193	15,832	29,025	131,931
Total salaries and related expenses	<u>744,543</u>	<u>95,454</u>	<u>114,545</u>	<u>209,999</u>	<u>954,542</u>
Maintenance	38,061	4,230		4,230	42,291
Supplies	5,705	633		633	6,338
Office expenses	22,853	67,216	44,363	111,579	134,432
Utilities	48,046	13,727	6,864	20,591	68,637
Parking - inkind	7,200				7,200
Telephone	1,370	1,412	1,370	2,782	4,152
Food - purchased	4,732				4,732
Food - inkind	253,815				253,815
Insurance	25,741	10,795	4,982	15,777	41,518
Auto	24,247	4,297	2,149	6,446	30,693
Professional fees	5,383	2,691	897	3,588	8,971
Capital campaign expenses	2,616	53		53	2,669
Program expenses	296,667				296,667
Program expenses - inkind	11,769				11,769
Fundraising expenses			121,410	121,410	121,410
Other	4,134	5,041	907	5,948	10,082
Total expenses before interest and depreciation	<u>1,496,882</u>	<u>205,549</u>	<u>297,487</u>	<u>503,036</u>	<u>1,999,918</u>
Interest	55,683	1,137		1,137	56,820
Depreciation	108,748	12,946	7,767	20,713	129,461
Total interest and depreciation	<u>164,431</u>	<u>14,083</u>	<u>7,767</u>	<u>21,850</u>	<u>186,281</u>
Total functional expenses	<u>\$ 1,661,313</u>	<u>\$ 219,632</u>	<u>\$ 305,254</u>	<u>\$ 524,886</u>	<u>\$ 2,186,199</u>

The accompanying notes are an integral part of these financial statements.

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

Statement of Cash Flows

For the Year Ended December 31, 2020

<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$	1,053,157
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation		129,461
Changes in working capital - sources (uses):		
Receivable from Buncombe County		
Other receivables		1,021
Prepaid expenss		2,736
Accounts payable		(23,398)
Accrued liabilities		(3,359)
Net cash provided from (used for) operating activities		<u>1,159,618</u>
<b>Cash flows from investing activities:</b>		
Investment in CCRM		(38,191)
Purchase of property and equipment		<u>(67,036)</u>
Net cash provided from (used for) investing activities		<u>(105,227)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from amounts borrowed		366,880
Repayment of amounts borrowed		<u>(14,006)</u>
Net cash provided from (used for) financing activities		<u>352,874</u>
Increase (decrease) in cash and equivalents		1,407,265
Beginning cash and cash equivalents		<u>246,074</u>
Ending cash and cash equivalents	\$	<u>1,653,339</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$	56,820

The accompanying notes are an integral part of these financial statements.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

Organization

Western Carolina Rescue Ministries, Inc. (Ministry) is a nonprofit corporation created for the purpose of providing food, shelter and Christian ministry to the poor and homeless in the Asheville area. It is funded primarily by contributions from the general public, churches and businesses. The Ministry operates a thrift store ministry through a wholly-owned low-profit limited liability company, WCRM Thrift Stores, L3C. This ministry is dedicated to the rehabilitation of men and women in the work place. They are trained at pricing, sorting, receiving and distribution of donated materials.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles that are generally accepted in the United States of America. Consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Income Taxes

The Ministry was established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501 ( c)( 3) of the Internal Revenue Code. During June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 (FIN 48), “Accounting for Uncertainty in Income Taxes”, and clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity’s financial statements and prescribes a threshold of more-likely-than not for recognition of tax positions taken or expected to be taken on the tax return. The Ministry’s policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support with the Internal Revenue Code and Regulations, Revenue Rulings , court decision and other evidence. As of December 31, 2020 the Ministry had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Recognition of Donor Restrictions

Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period 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 restriction s expire, temporarily restricted and permanently restricted net assets are released to unrestricted net assets.



WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (continued)**

Net Assets

Board-Designated Net Assets

Net assets without donor restrictions are subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other use.

Donor-Imposed Restrictions on Net Assets

A donor stipulation that specifies a use for a contributed asset that is more specific than board limits resulting from the following:

1. The nature of the not-for-profit entity
2. The environment in which it operates
3. The purpose specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual, for example, stipulating that resources be invested in perpetuity. Laws may extend those limits to investment returns from and other enhancements (diminishments) of those resources, thus extending donor-imposed restrictions (donors include other types of contributors, such as grantors).

Donated Services and Materials

A substantial number of volunteers have donated a significant amount of time to the Ministry's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills will be recognized as support. No amounts have been reflected in the accompanying financial statements for contributed services since the requirements for recognition were not met. Donated materials are reflected as in-kind contributions in the accompanying financial statements at their estimated fair market value at date of receipt. The value of food donated during the current year is based in a study commissioned by Second Harvest, a national food bank network. The study produced guidelines for determining the approximate average wholesale value of one pound of donated product at the national level. Although the value of items for different organizations may vary, average wholesale values of \$1.70 per pound have been used by this Ministry for the year ended December 31, 2020.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (continued)**

Cash and Equivalents

The Ministry considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Acquisitions of equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at date of receipt. It is the Ministry's policy to capitalize expenditures or donations of these items with values or costs in excess of \$1,000. Items of lesser amounts are expensed. Depreciation is computed annually using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to operating expense as incurred. Cost of renewals and betterments, which materially extend the useful lives of the assets or increase their productivity, are capitalized.

Advertising

Advertising costs are expensed as incurred. There was no advertising expense for the year ended December 31, 2020.

Functional Expenses

The Ministry allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated between program and supporting services based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Ministry.

Use of Estimates

The preparation of financial statements in accordance with U.S. 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 of Financial Instruments

The Ministry discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (continued)**

Fair Value of Financial Instruments (continued)

Ministry discloses both the change and the reasons for the change. The Ministry estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Ministry using available market information and appropriate valuation methodologies.

The Ministry's financial instruments consist of cash, accounts payable, accrued expenses and long term debt.

**Note 2 – Property and Equipment**

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2020</u>
At cost:	
Land	\$ 117,000
Building and building improvements	4,257,146
Equipment, furniture and fixtures	462,322
Vehicles	159,083
Construction in progress	<u>17,637</u>
	5,013,188
Less accumulated depreciation	<u>1,752,103</u>
<u>Property and equipment, net</u>	<u>\$ 3,261,085</u>

Depreciation expense for the year ended December 31, 2020 was \$ 129,461.

**Note 3 – Line of Credit**

The Ministry established a line of credit for working capital through TruPoint Bank with maximum borrowings totaling \$140,000. The line is secured by property located at 221 Patton Avenue. Interest payments are due monthly on any outstanding withdrawals and accrue interest at 4.75% per annum with the final payment due on March 20, 2021. At December 31, 2020, the balance on the line of credit was \$107,194.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 4 – Long-term Notes Payable**

Long-term notes payable is described as follows:

At December 31	2020
TruPoint Bank – 59 monthly payments of \$ 6,493, including interest at 4.50%, and one balloon payment of the outstanding balance and all accrued interest, due in March 2025, collateralized by buildings and land at 221 Patton Avenue	\$ 835,117
HomeTrust Bank – 59 monthly payments of \$ 2,228, including interest at 4.00%, and one balloon payment of the outstanding balance and all accrued interest, due in June 2025, collateralized by buildings and land at 624 Patton Avenue	292,671
SBA Small Bus Loan – 12 monthly payments of \$ 641, including interest at 2.75%, to begin 12 months from the date of note and the outstanding balance and all accrued interest, due in 2050, collateralized by buildings and land at 221 Patton Avenue	149,900
SBA PPP Loan – See Note 15	216,980
Ford Motor Credit – 60 monthly payments of \$ 916, including interest at 6.09% and principal. The loan is expected to be paid in full in April 2023, collateralized by vehicle	23,064
Vesco Industrial Trucks of Hickory, Inc. – 24 monthly payments of \$ 264, including interest at 5.19% and principal. The loan is expected to be paid in full in 2021, collateralized by equipment (forklift)	2,745
Total	1,520,477
Less current maturities	(286,073)
<b>Long-term debt, net of current maturities</b>	<b>\$ 1,234,404</b>

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 4 – Long-term Notes Payable (continued)**

Scheduled principal repayments on long-term debt for the next five years are as follows:

Years Ending December 31	Long-Term Debt
2021	\$ 286,073
2022	73,046
2023	68,011
2024	68,138
2025	680,529
Thereafter	<u>344,680</u>
<b>Principal repayments</b>	<b><u>\$ 1,520,477</u></b>

**Note 5 – Lease Commitments**

In September 2015, the Ministry entered into an agreement to lease retail facilities for the Long Shoals Road thrift store location. The lease was terminated by settlement agreement in August 2020 in conjunction with that store's closure. The lease required a minimum rental of \$ 7,000 per month for a five-year period commencing on October 1, 2015. The Ministry was also required to reimburse the landlord for taxes and insurance associated with this lease. Expense related to this lease for the year ended December 31, 2020 was \$49,295.

In April 2017, the Ministry entered into an agreement to lease retail facilities for the Westridge thrift store location. The lease requires a minimum rental of \$ 4,415 per month for a five-year period commencing on November 1, 2017. The Ministry is also required to reimburse the landlord for common area maintenance, taxes and insurance associated with this lease. Expense related to this lease for the year ended December 31, 2020 was \$58,722. Minimum future rental payments for 2021 total \$ 52,983. For 2022 and 2023, the annual minimum future rental payments total \$ 53,866 and \$ 58,281, respectively.

The Ministry has a month-to-month lease for the retail facilities for the Tunnel Road thrift store location. The monthly payment on this lease is \$ 5,337, which includes the monthly rental plus the common area maintenance fees. Expense related to this lease for the year ended December 31, 2020 was \$ 58,707.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 6 – Concentration of Credit Risk**

The Ministry has concentrated its credit risk for cash by maintaining deposits at local area banks which may at times exceed amounts covered by insurance provided by the U. S. Federal Deposit Insurance Corporation (FDIC). The Ministry has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**Note 7 – Retirement Plan**

During 2009, the Ministry established a Simple IRA defined contribution plan covering substantially all employees. The plan provides that an employee can voluntarily contribute up to \$13,500 to the plan for 2020 if they have received at least \$5,000 in annual compensation and have completed 90 days of service. The Ministry is required to match each employee's salary reduction contribution on a dollar for dollar basis up to 3% of the employee's compensation. The Ministry has the option to make non-elective contributions of 2% of the employee's compensation. If the board of directors chooses to make non-elective contributions, it must make them for all eligible employees whether or not they make salary reduction contributions. Expense related to the plan for the year ended December 31, 2020 was \$ 11,191.

**Note 8 – Subsequent Events**

Subsequent events have been evaluated through February 25, 2021, which is the date that the financial statements were available to be issued.

As of July 2020, the Ministry assumed management responsibilities of another rescue ministry (CCRM) in Cleveland County, North Carolina and is in the process of establishing an agreement to purchase the assets of the ministry in 2021. The Ministry will also complete construction on a portion of one of the buildings that was originally initiated by CCRM. Estimated total assets expected to be acquired total \$1,615,000 and debt associated with those assets that is expected to be assumed by the Ministry is \$402,302.

**Note 9 – Buncombe County Contract**

On January 5, 2018, The Ministry entered into a contract with Buncombe County to provide residential placements for up to 14 women, with small children, who are in recovery from substance abuse treatment and in need of housing and support under the Abba's House program. Payments to the Ministry will be \$ 26,357 per month up to a maximum of \$ 360,541 in the contract period starting July 1, 2019 through June 30, 2020 and a maximum of \$ 327,697 in the contract period starting from July 1, 2020 through June 30, 2021. Certain other additional cost reimbursements such as child care and replacement of parenting items are also available under this contract for a maximum reimbursement of \$ 11,409 and \$11,417 for the contract periods ending June 30, 2020 and June 30, 2021, respectively. The Ministry received \$ 316,280 from this contract for the year ended December 31, 2020.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 10 – Net Assets**

Net assets with donor restrictions at December 31, 2020 were available for the following purposes:

New Direction Fund	\$ 278,357
Impact Fund	<u>69,260</u>
Total net assets with donor restrictions	<u>\$ 347,617</u>

**Note 11 – Open Tax Positions**

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2018, and 2019, are subject to examination by the IRS, generally for 3 years after they were filed.

**Note 12 – Related Party Transactions**

Contributions from the Ministry's board of directors totaled \$ 2,200 for the year ended December 31, 2020.

A member of the board of directors of the Ministry is employed as a Senior Vice President of a bank where the Ministry has established a note payable (Note 4- HomeTrust Bank).

**Note 13 – Summary Disclosure of Significant Contingencies – Risk Management**

The Ministry is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Ministry carries commercial insurance coverage for risks of loss.

**Note 14 – Liquidity and Availability of Resources**

The following reflects the Ministry's financial assets as of December 31, 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Financial assets:	\$ 1,681,580
<i>Less those funds unavailable for general expenditures due to:</i>	
Restricted by donor with time and purpose restrictions	<u>347,617</u>
Financial assets available to meet cash needs within one year	<u>\$ 1,333,963</u>

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 14 – Liquidity and Availability of Resources (Continued)**

The Ministry manages its liquid resources by employing a variety of measures. The Ministry focuses on generating adequate contributions to cover the costs of its activities. In addition, the Ministry invests excess cash in investments to maximize return, taking into consideration the Ministry's low tolerance for investment market risk. The Ministry also monitors costs closely. The Ministry has available a revolving line of credit with available borrowings of up to \$140,000 in the event of an unanticipated liquidity need. The Ministry had an outstanding balance on this line of credit of \$107,194 as of December 31, 2020.

**Note 15 – PPP Loan**

On April 30, 2020, the Ministry received loan proceeds in the amount of \$ 216,980 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business and organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business or organization. The Ministry is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Ministry has recorded the proceeds as a loan as of December 31, 2020 (Note 3). The Ministry believes that the entire amount meets the requirements for forgiveness and applied for forgiveness in February 2021. Once the loan is forgiven, the proceeds will be recognized in income.

The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.