

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

**ASHEVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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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

#### **Opinion**

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, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

#### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditors Responsibilities for the audit of the Financial Statements section of my report. I am required to be independent of Western Carolina Rescue Ministries, Inc and to meet my other ethical responsibilities in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Carolina Rescue Ministries, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Western Carolina Rescue Ministries, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Carolina Rescue Ministries, Inc ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

*Suzan H Sluder CPA PA*

Arden, North Carolina

May 11, 2022

**WESTERN CAROLINA RESCUE MINISTRIES, INC.**

Statement of Financial Position

December 31, 2021

**Assets**

Current assets:

|                                 |    |                  |
|---------------------------------|----|------------------|
| Cash and equivalents            | \$ | 1,034,818        |
| Cash and equivalents-restricted |    | 366,830          |
| Other receivables               |    | 4,569            |
| Prepaid expenses                |    | 14,807           |
| Total current assets            |    | <u>1,421,024</u> |

|                             |  |                  |
|-----------------------------|--|------------------|
| Investment in CCRM          |  | 170,917          |
| Property and equipment, net |  | <u>5,085,410</u> |

Total assets \$ 6,677,351

**Liabilities and Net Assets**

Current liabilities:

|   |    |                |
|---|----|----------------|
| Current maturities of long-term notes payable | \$ | 88,192         |
| Accounts payable                              |    | 62,543         |
| Accounts payable - thrift store               |    | 2,817          |
| Accrued liabilities                           |    | 17,240         |
| Total current liabilities                     |    | <u>170,792</u> |

Long-term notes payable, less current maturities 1,503,601  
Total liabilities 1,674,393

Net Assets:

Without donor restrictions:

|   |  |                  |
|---|--|------------------|
| Undesignated                                |  | 1,142,511        |
| Investment in property and equipment        |  | 3,493,617        |
| Total net assets without donor restrictions |  | <u>4,636,128</u> |
| With donor restrictions                     |  | 366,830          |
| Total net assets                            |  | <u>5,002,958</u> |

Total liabilities and net assets \$ 6,677,351

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, 2021

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>2021<br/>Total</b> |
|---|---------------------------------------|------------------------------------|-----------------------|
| <b>Public support and other revenues:</b> |                                       |                                    |                       |
| Contributions and grants                  | \$ 3,356,840                          | \$ 411,545                         | \$ 3,768,385          |
| Thrift store sales                        | 255,168                               |                                    | 255,168               |
| In-kind donations - food                  | 123,691                               |                                    | 123,691               |
| In-kind donations - program supplies      | 20,500                                |                                    | 20,500                |
| In-kind donations - parking               | 7,200                                 |                                    | 7,200                 |
| Other income                              | 36,888                                |                                    | 36,888                |
| Rental income                             | 30,000                                |                                    | 30,000                |
| Releases of restrictions:                 |                                       |                                    |                       |
| Impact Ministry                           | 273,821                               | (273,821)                          |                       |
| New Direction                             | 118,511                               | (118,511)                          |                       |
| Total public support and other revenues   | 4,222,619                             | 19,213                             | 4,241,832             |
| <b>Expenses:</b>                          |                                       |                                    |                       |
| Program services                          | 1,999,011                             |                                    | 1,999,011             |
| Supporting services                       | 575,234                               |                                    | 575,234               |
| Total expenses                            | 2,574,245                             |                                    | 2,574,245             |
| Increase (decrease) in net assets         | 1,648,374                             | 19,213                             | 1,667,587             |
| Net assets, beginning of year             | 2,987,754                             | 347,617                            | 3,335,371             |
| Net assets, end of year                   | \$ 4,636,128                          | \$ 366,830                         | \$ 5,002,958          |

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, 2021

|  | Program<br>Services | Management<br>and General | Fund-<br>Raising  | Total<br>Supporting<br>Services | Total               |
|--|---------------------|---------------------------|-------------------|---------------------------------|---------------------|
| Compensation - mission and thrift store            | \$ 743,948          | \$ 95,378                 | \$ 114,454        | \$ 209,832                      | \$ 953,780          |
| Payroll taxes                                      | 54,691              | 7,012                     | 8,413             | 15,425                          | 70,116              |
| Employee benefits                                  | 127,345             | 16,326                    | 19,592            | 35,918                          | 163,263             |
| Total salaries and related expenses                | <u>925,984</u>      | <u>118,716</u>            | <u>142,459</u>    | <u>261,175</u>                  | <u>1,187,159</u>    |
| Maintenance  | 61,808              | 6,867                     |                   | 6,867                           | 68,675              |
| Supplies   | 8,285               | 920                       |                   | 920                             | 9,205               |
| Office expenses                                    | 3,425               | 10,075                    | 6,650             | 16,725                          | 20,150              |
| Utilities  | 45,391              | 12,969                    | 6,485             | 19,454                          | 64,845              |
| Parking - inkind                                   | 7,200               |                           |                   |                                 | 7,200               |
| Telephone  | 1,628               | 1,675                     | 1,627             | 3,302                           | 4,930               |
| Food - purchased                                   | 5,667               |                           |                   |                                 | 5,667               |
| Food - inkind                                      | 123,691             |                           |                   |                                 | 123,691             |
| Insurance  | 38,015              | 15,942                    | 7,358             | 23,300                          | 61,315              |
| Auto   | 27,861              | 4,937                     | 2,468             | 7,405                           | 35,266              |
| Professional fees                                  | 7,382               | 3,691                     | 1,230             | 4,921                           | 12,303              |
| Capital campaign expenses                          | 1,372               | 28                        |                   | 28                              | 1,400               |
| Program expenses                                   | 427,511             |                           |                   |                                 | 427,511             |
| Program expenses - inkind                          | 20,500              |                           |                   |                                 | 20,500              |
| Ministry projects                                  | 57,403              |                           |                   |                                 | 57,403              |
| Fundraising expenses                               |                     |                           | 171,734           | 171,734                         | 171,734             |
| Other  | 17,399              | 21,749                    | 4,350             | 26,099                          | 43,498              |
| Total expenses before<br>interest and depreciation | <u>1,780,522</u>    | <u>197,569</u>            | <u>344,361</u>    | <u>541,930</u>                  | <u>2,322,452</u>    |
| Interest   | 48,876              | 997                       |                   | 997                             | 49,873              |
| Depreciation                                       | 169,613             | 20,192                    | 12,115            | 32,307                          | 201,920             |
| Total interest and depreciation                    | <u>218,489</u>      | <u>21,189</u>             | <u>12,115</u>     | <u>33,304</u>                   | <u>251,793</u>      |
| Total functional expenses                          | <u>\$ 1,999,011</u> | <u>\$ 218,758</u>         | <u>\$ 356,476</u> | <u>\$ 575,234</u>               | <u>\$ 2,574,245</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, 2021

**Cash flows from operating activities:**

|  |    |                |
|--|----|----------------|
| Increase (decrease) in net assets  | \$ | 1,667,587      |
| Adjustments to reconcile net assets<br>to net cash provided by operating activities: |    |                |
| Depreciation   |    | 201,920        |
| Land, buildings and equipment contributed to the ministry                            |    | (1,357,300)    |
| Changes in working capital - sources (uses):   |    |                |
| Receivable from Buncombe County  |    | 26,357         |
| Other receivables  |    | (2,685)        |
| Prepaid expenss  |    | (6,809)        |
| Accounts payable   |    | 44,822         |
| Accrued liabilities  |    | 11,966         |
| Net cash provided from (used for) operating activities                               |    | <u>585,858</u> |

**Cash flows from investing activities:**

|  |  |                  |
|--|--|------------------|
| Investment in CCRM                                     |  | (132,726)        |
| Purchase of property and equipment                     |  | <u>(297,493)</u> |
| Net cash provided from (used for) investing activities |  | <u>(430,219)</u> |

**Cash flows from financing activities:**

|  |  |                  |
|--|--|------------------|
| Proceeds from amounts borrowed                         |  | 203,548          |
| Repayment of amounts borrowed                          |  | <u>(610,878)</u> |
| Net cash provided from (used for) financing activities |  | <u>(407,330)</u> |

|   |    |                  |
|---|----|------------------|
| Increase (decrease) in cash and equivalents |    | (251,691)        |
| Beginning cash and cash equivalents         |    | <u>1,653,339</u> |
| Ending cash and cash equivalents            | \$ | <u>1,401,648</u> |

Supplemental disclosures of cash flow information:

|   |    |           |
|---|----|-----------|
| Cash paid for interest                      | \$ | 56,820    |
| Property and equipment acquired by donation | \$ | 1,357,300 |
| Property acquired by notes payable          | \$ | 371,452   |

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. The Ministry also wholly-owns a limited liability company, WCRM – Shelby, LLC, which holds property and equipment that the Ministry acquired from another ministry in Shelby, North Carolina (Note 9).

**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, 2021 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 restricted net assets depending on the nature of the restriction. When restriction s expire, 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, 2021.

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, 2021.

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>2021</u>         |
|------------------------------------|---------------------|
| At cost:                           |                     |
| Land                               | \$ 147,000          |
| Building and building improvements | 5,907,693           |
| Equipment, furniture and fixtures  | 775,807             |
| Vehicles                           | <u>172,583</u>      |
|                                    | 7,003,083           |
| Less accumulated depreciation      | <u>1,917,673</u>    |
| <u>Property and equipment, net</u> | <u>\$ 5,085,410</u> |

Depreciation expense for the year ended December 31, 2021 was \$ 201,920.

**Note 3 – 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.

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   | \$ | 2021      |
|--|----|-----------|
| 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                | \$ | 794,449   |
| 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                |    | 277,473   |
| 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   |
| Truist Bank – 59 monthly payments of \$ 3,652, including interest at 4.50%, and one balloon payment of the outstanding balance and all accrued interest, due in March 2026, collateralized by buildings and land in Shelby, North Carolina             |    | 369,971   |
| Total  |    | 1,591,793 |
| Less current maturities  |    | (88,192)  |
| Long-term debt, net of current maturities  | \$ | 1,503,601 |

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<br>December 31 | Long-Term<br>Debt          |
|-----------------------------|----------------------------|
| 2022                        | \$ 88,192                  |
| 2023                        | 94,280                     |
| 2024                        | 98,460                     |
| 2025                        | 102,824                    |
| 2026                        | 1,016,945                  |
| Thereafter                  | <u>191,092</u>             |
| <b>Principal repayments</b> | <b><u>\$ 1,591,793</u></b> |

**Note 5 – Lease Commitments**

In August 2021, the Ministry entered into an agreement to lease retail facilities for the West Asheville thrift store location. The lease required a security deposit of \$ 10,000 and minimum monthly rent of \$ 9,162 for a one-year period ending August 31, 2022 and \$10,357 monthly for the remaining twenty-four months ending August 31, 2024. The Ministry is also required to reimburse the landlord for maintenance, taxes and insurance associated with this lease. At the end of the lease term, the lease is renewable for two additional terms for a total of six additional years. Expense related to this lease for the year ended December 31, 2021 was \$40,769. Minimum future rental payments for 2022 total \$ 114,720. For 2023 and 2024, the annual minimum future rental payments total \$ 124,280 and \$ 82,853, respectively.

In 2021, the Ministry began leasing, on a month-to-month basis, the land and building at 706 Julius Street in Shelby, North Carolina. The total that the Ministry paid in rent for the year ended December 2021 was \$12,600. This property houses the men's restoration program operating in Shelby, North Carolina. The Ministry subsequently purchased this property in 2022 (Note 7).

**Note 6 – 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 2021 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, 2021 was \$ 13,459.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 7 – Subsequent Events**

Subsequent events have been evaluated through May 11, 2022, which is the date that the financial statements were available to be issued.

In February 2022, the Ministry sold the thrift store clearance center property located at 624 Patton Avenue for \$799,589 and paid in full the associated note payable for \$ 277,291. In addition, the remaining proceeds of the sale were used to reduce the note payable from TruPoint Bank by \$522,298 (Note 4).

In February 2022, the Ministry purchased the property housing the men’s restoration program at 706 Julius Street in Shelby, North Carolina for \$395,000.

**Note 8 – Net Assets**

Net assets with donor restrictions at December 31, 2021 were available for the following purposes:

|  |                   |
|--|-------------------|
| New Direction Fund                       | \$ 244,600        |
| Impact Fund                              | <u>122,230</u>    |
| Total net assets with donor restrictions | <u>\$ 366,830</u> |

**Note 9 – Donation of Ministry Assets**

In January 2021, the Ministry received in donation the assets of the Inter-Faith Alliance Corporation DBA Cleveland County Rescue Ministry (CCRM) located in Shelby, North Carolina. These assets included land, buildings, furniture, fixtures and equipment valued at the time of donation totaling \$ 1,357,300, located in Shelby, North Carolina. These assets transferred to the Ministry with an obligation to continue to be used as a shelter or affordable housing due to the provisions imposed by two FHLB grants which were previously received by CCRM during their ownership of the assets. This obligation is expected to fully expire in 2036.

The Ministry assumed management responsibilities of CCRM in July 2020. After acquisition of the assets by the Ministry, the Ministry leased this property to CCRM for \$ 5,000 per month beginning on March 5, 2021 and continuing for a period of one year. This lease will automatically renew absent written notice from either party. The total paid by CCRM on this lease to the Ministry in 2021 was \$30,000. CCRM is responsible for utilities, maintenance and insurance costs on the leased property .

In addition, the Ministry advanced \$ 132,726 in 2021 to CCRM to finance operational costs. For the year ended December 31, 2021, total investment in CCRM totaled \$ 170,917.

WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 10 – Open Tax Positions**

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2018, 2019, and 2020, are subject to examination by the IRS, generally for 3 years after they were filed.

**Note 11 – Related Party Transactions**

Contributions from the Ministry's board of directors totaled \$ 1,200 for the year ended December 31, 2021.

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 12 – 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.

*Uncertainty due to COVID-19*

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates federal, state and local authorities leading to an overall decline in economic activity. As of December 31, 2021, there was no significant impact to the Ministry's operations. However, the Ministry is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Ministry's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Ministry's financial position, results of operations and cash flows.

**Note 13 – Liquidity and Availability of Resources**

The following reflects the Ministry's financial assets as of December 31, 2021, 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:  | \$ 1,406,217               |
| <i>Less those funds unavailable for general expenditures due to:</i> |                            |
| Restricted by donor with time and purpose restrictions               | <u>366,830</u>             |
| Financial assets available to meet cash needs within one year        | <u><u>\$ 1,039,387</u></u> |



WESTERN CAROLINA RESCUE MINISTRIES, INC.  
Notes to Financial Statements

**Note 13 – 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.

**Note 14 – Buncombe County Contract**

In 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. The contract with Buncombe County ended in August 2021. The Ministry received \$ 213,708 for the year ended December 31, 2021. The Abba's House program has continued to operate with alternative funding.

**Note 15 – Thrift Store Closures**

Due to declining income and sustainability, the Ministry closed the thrift store locations at Tunnel Road and Smoky Park Highway. Total sales from these locations were \$ 165,667 for the year ended December 31, 2021. All salvageable equipment and resources were relocated to the West Asheville location. All associated retail facility leases were terminated with only the West Asheville location remaining as of December 31, 2021 (Note 5).