

WESTERN CAROLINA RESCUE MINISTRIES, INC.

ASHEVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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, 2022, 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 13, 2023

WESTERN CAROLINA RESCUE MINISTRIES, INC.

Statement of Financial Position

December 31, 2022

Assets

Current assets:

Cash and equivalents	\$	422,549
Cash and equivalents-restricted		103,531
Cash and equivalents-endowment fund		50,000
Other receivables		9,204
Prepaid expenses		14,807
Total current assets		<u>600,091</u>

Receivable from CCRM		424,607
Property and equipment, net		<u>4,951,254</u>

Total assets \$ 5,975,952

Liabilities and Net Assets

Current liabilities:

Current maturities of long-term notes payable	\$	102,690
Accounts payable		49,197
Accounts payable - thrift store		1,425
Accrued liabilities		29,048
Total current liabilities		<u>182,360</u>

Long-term notes payable, less current maturities 597,006
Total liabilities 779,366

Net Assets:

Without donor restrictions:

Undesignated		841,497
Investment in property and equipment		4,251,558
Total net assets without donor restrictions		<u>5,093,055</u>

With donor restrictions 103,531
Total net assets 5,196,586

Total liabilities and net assets \$ 5,975,952

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, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Public support and other revenues:			
Contributions and grants	\$ 2,311,814	\$ 297,141	\$ 2,608,955
Thrift store sales	223,939		223,939
In-kind donations - food	295,339		295,339
In-kind donations - program supplies	66,578		66,578
In-kind donations - parking	7,200		7,200
Other income	12,987		12,987
Rental income	38,500		38,500
Gain on sale of assets	129,978		129,978
Releases of restrictions:			
Impact Ministry	341,835	(341,835)	
New Direction	218,605	(218,605)	
Total public support and other revenues	3,646,775	(263,299)	3,383,476
Expenses:			
Program services	2,600,167		2,600,167
Supporting services	589,681		589,681
Total expenses	3,189,848		3,189,848
Increase (decrease) in net assets	456,927	(263,299)	193,628
Net assets, beginning of year	4,636,128	366,830	5,002,958
Net assets, end of year	\$ 5,093,055	\$ 103,531	\$ 5,196,586

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, 2022

	Program Services	Management and General	Fund- Raising	Total Supporting Services	Total
Compensation - mission and thrift store	\$ 906,649	\$ 116,237	\$ 139,485	\$ 255,722	\$ 1,162,371
Payroll taxes	65,343	8,377	10,053	18,430	83,773
Employee benefits	136,700	17,526	21,030	38,556	175,256
Total salaries and related expenses	1,108,692	142,140	170,568	312,708	1,421,400
Maintenance	36,526	4,058		4,058	40,584
Supplies	14,027	1,559		1,559	15,586
Office expenses	7,598	22,346	14,748	37,094	44,692
Utilities	62,957	17,988	8,994	26,982	89,939
Parking - inkind	7,200				7,200
Telephone	1,493	1,539	1,493	3,032	4,525
Food - purchased	4,863				4,863
Food - inkind	295,339				295,339
Insurance	24,474	10,263	4,737	15,000	39,474
Auto	29,520	12,379	5,714	18,093	47,613
Professional fees	4,260	2,130	710	2,840	7,100
Program expenses	618,049				618,049
Program expenses - inkind	66,578				66,578
Ministry projects	53,106				53,106
Fundraising expenses			133,237	133,237	133,237
Other	20,046	25,056	5,012	30,068	50,114
Total expenses before interest and depreciation	2,354,728	239,458	345,213	584,671	2,939,399
Interest	43,250	883		883	44,133
Depreciation	202,189	4,127		4,127	206,316
Total interest and depreciation	245,439	5,010	0	5,010	250,449
Total functional expenses	<u>\$ 2,600,167</u>	<u>\$ 244,468</u>	<u>\$ 345,213</u>	<u>\$ 589,681</u>	<u>\$ 3,189,848</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, 2022

Cash flows from operating activities:		
Increase (decrease) in net assets	\$	193,628
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation		206,316
Gain on disposal of assets		(129,978)
Changes in working capital - sources (uses):		
Other receivables		(4,635)
Accounts payable		(14,738)
Accrued liabilities		11,808
Net cash provided from (used for) operating activities		<u>262,401</u>
Cash flows from investing activities:		
Advances made to CCRM		(253,690)
Proceeds from sales of assets		799,589
Purchase of property and equipment		(741,771)
Net cash provided from (used for) investing activities		<u>(195,872)</u>
Cash flows from financing activities:		
Repayment of amounts borrowed		(892,097)
Net cash provided from (used for) financing activities		<u>(892,097)</u>
Increase (decrease) in cash and equivalents		(825,568)
Beginning cash and cash equivalents		<u>1,401,648</u>
Ending cash and cash equivalents	\$	<u>576,080</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$	44,133

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, 2022 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 restrictions 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, 2022.

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, 2022.

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>2022</u>
At cost or fair value at the time of donation, as applicable:	
Land	\$ 147,000
Building and building improvements	5,511,237
Equipment, furniture and fixtures	802,587
Vehicles	172,583
	<u>6,633,407</u>
Less accumulated depreciation	<u>1,682,153</u>
<u>Property and equipment, net</u>	<u>\$ 4,951,254</u>

Depreciation expense for the year ended December 31, 2022 was \$ 206,316..

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	2022
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	\$ 208,350
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	341,446
Total	699,696
Less current maturities	(102,690)
<u>Long-term debt, net of current maturities</u>	\$ 597,006

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

Years Ending December 31	Long-Term Debt
2023	\$ 102,690
2024	107,342
2025	100,847
2026	37,223
2027	38,862
Thereafter	312,732
<u>Principal repayments</u>	\$ 699,696

WESTERN CAROLINA RESCUE MINISTRIES, INC.
Notes to Financial Statements

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, 2022 was \$ 130,059. Minimum annual future rental payments for 2023 and 2024, 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 2022 was \$ 1,800. This property houses the men's restoration program operating in Shelby, North Carolina and was subsequently purchased in February 2022 (Note 9).

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 \$14,000 to the plan for 2022 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, 2022 was \$ 12,134.

Note 7 – Subsequent Events

Subsequent events have been evaluated through May 13, 2023, which is the date that the financial statements were available to be issued.

In late 2022, the Ministry purchased property on Washington Street in Shelby, NC for \$ 20,000 to provide 20-unit transitional housing for single women in the CCRM ministry. In 2023, the Ministry plans to demolish and construct a new interior for this housing. Demolition and construction costs are expected to total \$ 700,000. In March 2023, the Board of Directors voted to apply for an FHLB grant up to \$ 700,000 to finance this construction.

WESTERN CAROLINA RESCUE MINISTRIES, INC.
Notes to Financial Statements

Note 8 – Net Assets

Net assets with donor restrictions at December 31, 2022 were available for the following purposes:

New Direction Fund	\$ 34,637
Impact Fund	<u>68,894</u>
Total net assets with donor restrictions	<u>\$ 103,531</u>

Note 9 – Related Party Transactions

Inter-Faith Alliance Corporation (CCRM)

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.

During 2022, the Ministry received an FHLB grant of \$500,000 to finance the purchase and improvements of property (Julius Street) in Shelby totaling \$ 397,574 for the purchase and \$ 102,246 for improvements as of December 31, 2022. This property is used in CCRM ministry operations. In addition, the Ministry purchased property on Washington Street to create transitional housing for their program (Note 7). As of December 31, 2022, the Ministry owned assets in Shelby, NC totaling \$2,030,656.

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 2022 was \$36,000. CCRM is responsible for utilities, maintenance and insurance costs on the leased property.

In addition, the Ministry advanced \$ 253,690 in 2022 to CCRM to finance operational costs. As of December 31, 2022, total amounts receivable from CCRM totaled \$ 424,607.

Board Contributions

Contributions from the Ministry's board of directors totaled \$ 25,600 for the year ended December 31, 2022.

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 2019, 2020, and 2021, are subject to examination by the IRS, generally for 3 years after they were filed.

Note 11 – 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 12 – Endowment Fund

During 2022, the Ministry established an endowment fund to provide future income for programs and operations. At December 31, 2022 the fund consisted of cash, which was subsequently invested in a money market fund in early 2023. The fund is managed by the Executive Director and the Board of Directors. Income may be used to finance programs and operations as deemed appropriate by the Executive Director and Board of Directors and approved by a 2/3 vote of the Board.

Note 13 – Liquidity and Availability of Resources

The following reflects the Ministry's financial assets as of December 31, 2022, 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:	\$	585,284
<i>Less those funds unavailable for general expenditures due to:</i>		
Restricted by donor with time and purpose restrictions		<u>103,531</u>
Financial assets available to meet cash needs within one year	\$	<u><u>481,753</u></u>

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.