WESTERN CAROLINA RESCUE MINISTRIES, INC.

ASHEVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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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, 2023, 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, 2023, 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.

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 than 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
June 3, 2024

WESTERN CAROLINA RESCUE MINISTRIES, INC.
Statement of Financial Position
December 31, 2023

Assets		
Current assets:		
Cash and equivalents	$	305,452
Cash and equivalents-restricted		1,605
Cash and equivalents-endowment fund		57,493
Other receivables		9,457
Prepaid expenses		9,642
Total current assets		383,649
Receivable from CCRM		548,259
Construction in progress		138,615
Property and equipment, net		4,975,018
Total assets	$	6,045,541
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term notes payable	$	107,294
Line of credit		200,000
Accounts payable		55,826
Accounts payable - thrift store		96
Accrued liabilities		16,267
Total current liabilities		379,483
Long-term notes payable, less current maturities		738,402
Total liabilities		1,117,885
Net Assets:		
Without donor restrictions:		
Undesignated		796,729
Investment in property and equipment		4,129,322
Total net assets without donor restrictions		4,926,051
With donor restrictions		1,605
Total net assets		4,927,656
Total liabilites and net assets	$	6,045,541

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, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Public support and other revenues:			
Contributions and grants	$ 1,047,889	$ 569,897	$ 1,617,786
Thrift store sales	151,603		151,603
Employer retention credit	524,803		524,803
In-kind donations - food	376,808		376,808
In-kind donations - program supplies	71,194		71,194
In-kind donations - parking	7,200		7,200
Other income	32,672		32,672
Rental income	38,752		38,752
Gain (loss) on sale of assets	(943)		(943)
Releases of restrictions:			
Impact Ministry	348,966	(348,966)	
New Direction	322,857	(322,857)	
Total public support and other revenues	2,921,801	(101,926)	2,819,875
Expenses:			
Program services	2,424,881		2,424,881
Supporting services	663,924		663,924
Total expenses	3,088,805		3,088,805
Increase (decrease) in net assets	(167,004)	(101,926)	(268,930)
Net assets, beginning of year	5,093,055	103,531	5,196,586
Net assets, end of year	$ 4,926,051	$ 1,605	$ 4,927,656

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, 2023

	Program Services	Management and General	Fund-Raising	Total Supporting Services	Total
Compensation - mission and thrift store	$ 953,010	$ 122,181	$ 146,617	$ 268,798	$ 1,221,808
Payroll taxes	67,230	8,619	10,343	18,962	86,192
Employee benefits	134,087	17,191	20,628	37,819	171,906
Total salaries and related expenses	1,154,327	147,991	177,588	325,579	1,479,906
Maintenance	75,751	8,417		8,417	84,168
Supplies	21,467	2,386		2,386	23,853
Office expenses	5,292	15,566	10,274	25,840	31,132
Utilities	67,589	19,311	9,656	28,967	96,556
Parking - inkind	7,200				7,200
Telephone	1,893	1,951	1,893	3,844	5,737
Food - purchased	10,765				10,765
Food - inkind	376,808				376,808
Insurance	42,351	17,760	8,197	25,957	68,308
Auto	29,361	12,313	5,682	17,995	47,356
Professional fees	369	6,269	737	7,006	7,375
Program expenses	315,385				315,385
Program expenses - inkind	71,194				71,194
Ministry projects	26,928				26,928
Fundraising expenses			164,838	164,838	164,838
Other		28,851		28,851	28,851
Total expenses before interest and depreciation	2,206,680	260,815	378,865	639,680	2,846,360
Interest	25,595	2,844		2,844	28,439
Depreciation	192,606	21,400		21,400	214,006
Total interest and depreciation	218,201	24,244	0	24,244	242,445
Total functional expenses	$ 2,424,881	$ 285,059	$ 378,865	$ 663,924	$ 3,088,805

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, 2023

Cash flows from operating activities:		
Increase (decrease) in net assets	$	(268,930)
Adjustments to reconcile net assets		
to net cash provided by operating activities:		
Depreciation		214,006
(Gain) loss on disposal of assets		943
Changes in working capital - sources (uses):		
Other receivables		(253)
Prepaid expenss		5,165
Accounts payable		5,300
Accrued liabilities		(12,781)
Net cash provided from (used for) operating activities		(56,550)
Cash flows from investing activities:		
Advances made to CCRM		(123,652)
Purchase of property and equipment and construction in progress		(377,327)
Net cash provided from (used for) investing activities		(500,979)
Cash flows from financing activities:		
Borrowings		448,987
Repayment of amounts borrowed		(102,988)
Net cash provided from (used for) financing activities		345,999
Increase (decrease) in cash and equivalents		(211,530)
Beginning cash and cash equivalents		576,080
Ending cash and cash equivalents	$	364,550
Supplemental disclosures of cash flow information:		
Cash paid for interest	$	28,439
Reconciliation of cash:		
Cash	$	362,945
Restricted cash		1,605
Cash, cash equivalents and restricted cash at end of year	$	364,550

The accompanying notes are an integral part of these 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 operated a thrift store ministry in years past through a wholly-owned low-profit limited liability company, WCRM Thrift Stores, L3C. 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 11).

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, 2023 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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 $1.75 per pound have been used by this Ministry for the year ended December 31, 2023.

Note 1 – Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Restricted Cash

The Ministry considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

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, 2023.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 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:

At December 31		2023
At cost or fair value at the time of donation, as applicable:		
Land	$	147,000
Building and building improvements		5,707,072
Equipment, furniture and fixtures		754,896
Vehicles		182,472
		6,791,440
Less accumulated depreciation		1,816,422
Property and equipment, net	$	4,975,018

Depreciation expense for the year ended December 31, 2023 was $ 214,006.

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.

Note 4 – Long-term Notes Payable

Long-term notes payable is described as follows:

At December 31		2023
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	$	138,517
SBA EIDL Loan – monthly payments of $ 641, including interest at 2.75% and principal to begin 12 months from the date of note and to continue with the balance of principal and interest due in 2050, collateralized by all tangible and intangible personal property perfected by a UCC filing with the NC Secretary of State's office		145,590
Truist Bank – monthly payments of interest at 8.50% and one balloon payment of the outstanding balance and all accrued interest due in October 2025, maximum borrowings of $350,000 collateralized by buildings and land in Shelby, North Carolina		246,032
Truist Bank – monthly payments of interest at 8.50% and one balloon payment of the outstanding balance and all accrued interest due in November 2025, maximum borrowings of $176,000 collateralized by buildings and land in Shelby, North Carolina		2,956
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		312,601
Total		845,696
Less current maturities		(107,294)
Long-term debt, net of current maturities	$	738,402

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
2024	$ 107,294
2025	349,937
2026	37,180
2027	38,817
2028	40,525
Thereafter	271,943
Principal repayments	$ 845,696

Note 5 – Line of Credit

The Ministry has a $300,000 revolving line of credit with a bank, secured by personal property in Asheville, North Carolina. Borrowings under the line bear interest at 8.500%. The balance outstanding on the line of credit at December 31, 2023 was $ 200,000. Interest is payable monthly and the outstanding principal is due at maturity, which is July 3, 2026. The agreement requires the Ministry to comply with certain financial and non-financial covenants.

Note 6 – Discontinued Thrift Store Operations

In September 2023, the Ministry discontinued its thrift store operations. For 2023, sales totaled $ 151,603 and operating expenses totaled $ 222,936. Equipment with a undepreciated cost value of $ 2,637 continue to be used by the Ministry for other operations and the remainder of the thrift store equipment and furnishings were disposed of after the store closure, resulting in a loss on disposal of $ 943. Accrued rent for the thrift store facilities in 2023 totaled $23,029 as of the store closing date. An agreement was reached with the facilities' lessor that the lessor would forgive the accrued rent due in exchange for the forfeiture of the security deposit of $10,000. As a result, the total rent forgiveness to the Ministry was $ 13,029.

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 $15,500 to the plan for 2023 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

Note 7 – Retirement Plan (continued)

not they make salary reduction contributions. Expense related to the plan for the year ended December 31, 2023 was $ 13,348.

Note 8 – Subsequent Events

Subsequent events have been evaluated through June 3, 2024, which is the date that the financial statements were available to be issued.

Note 9 - Construction in Progress

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 incurred $ 138,615 in costs through December 31, 2023 to demolish and construct a new interior for this housing. Total estimated demolition and construction costs are expected to total $ 460,500. The Ministry obtained two loans with total maximum borrowings of $526,000 to finance demolition and construction costs (Note 4). The completion date for this project is expected to be August 2024.

Note 10 – Net Assets

Net assets with donor restrictions at December 31, 2023 were available for the following purposes:

New Direction Fund	$ 1,398
Impact Fund	207
Total net assets with donor restrictions	$ 1,605

Note 11 – 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 $ 297,742 for improvements as of December 31, 2023. This property is used in CCRM ministry operations. In addition, the Ministry purchased property on Washington Street to create transitional housing for their program. Construction began in 2023 to demolish and construct a new interior for

Note 11 – Related Party Transactions (continued)

Inter-Faith Alliance Corporation (CCRM) (continued)

this building (Note 9). As of December 31, 2023, the Ministry owned assets in Shelby, NC totaling $ 2,384,111.

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 2023 was $ 38,752. CCRM is responsible for utilities, maintenance and insurance costs on the leased property.

In addition, the Ministry advanced $ 123,652 in 2023 to CCRM to finance operational costs. As of December 31, 2023, total amounts receivable from CCRM totaled $ 548,259.

Board Contributions

Contributions from the Ministry's board of directors totaled $ 18,278 for the year ended December 31, 2023.

Note 12 – Open Tax Positions

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2020, 2021, and 2022, are subject to examination by the IRS, generally for 3 years after they were filed.

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 – Endowment Fund

During 2022, the Ministry established an endowment fund to provide future income for programs and operations. At December 31, 2023 the fund consisted of money market funds, which is a component of cash and cash equivalents. 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. Income earned in the fund for 2023 was $ 2,493.

Note 15 – Liquidity and Availability of Resources

The following reflects the Ministry's financial assets as of December 31, 2023, 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:	$	374,007
Less those funds unavailable for general expenditures due to:		
Restricted by donor with time and purpose restrictions		1,605
Financial assets available to meet cash needs within one year	$	372,402

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 16 – Warehouse Lease

The Ministry leases warehouse space in Swannanoa, North Carolina. The 3-year lease term is from July 15, 2022 through July 31, 2025. At every one year lease anniversary, the rent increases 3% from the previous lease year's annual rent. Base rent for the first year is $60,000 annually or $ 5000 per month. Lease expense for the year ended December 31, 2023 was $ 60,825. Remaining payments under this lease agreement are expected to be:

2024	$	62,727
2025		31,827
2026		
2027		
2028		
Thereafter		
Total	$	94,554