Winston-Salem Rescue Mission, Inc.

Financial Statements

Year Ended June 30, 2013

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Winston-Salem Rescue Mission, Inc.

Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Winston-Salem Rescue Mission, Inc.

We have audited the accompanying financial statements of Winston-Salem Rescue Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winston-Salem Rescue Mission, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The accompanying June 30, 2012 financial statements of Winston-Salem Rescue Mission, Inc. were compiled by us. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. Accordingly, we do not express an opinion or provide any assurance about whether these financial statements are in accordance with accounting principles generally accepted in the United States of America.

Duncan Ashe, P.A.

Greensboro, North Carolina
November 6, 2013

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2013 (Audited) with Comparative Totals as of June 30, 2012 (Unaudited)

	2013 (Audited)	2012 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 168,740	$ 172,479
Inventory		
Thrift store inventory	16,434	10,328
Furniture and appliance inventory	46,501	31,048
Food and groceries inventory	70,204	87,897
Sales tax receivable	6,153	12,144
Prepaid insurance	-	1,647
Other current assets	6,926	9,235
Total current assets	314,958	324,778
Property and equipment, at cost, net of accumulated depreciation of $1,873,572 and $1,630,172	5,662,388	5,887,814
Total assets	$ 5,977,346	$ 6,212,592
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 84,034	$ 15,427
Current portion of long-term debt	118,229	92,077
Accrued salaries and wages	37,138	45,060
Accrued employee benefits and taxes	11,363	1,448
Sales tax payable	1,187	1,516
Total current liabilities	251,951	155,528
Long-term debt	1,405,412	1,549,490
Total liabilities	1,657,363	1,705,018
Net assets:		
Unrestricted		
Net investment in property and equipment	5,662,388	5,887,814
Undesignated, available for general activities	(1,342,405)	(1,380,240)
Total unrestricted net assets	4,319,983	4,507,574
Temporarily restricted	-	-
	4,319,983	4,507,574
Total liabilities and net assets	$ 5,977,346	$ 6,212,592

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

Winston-Salem Rescue Mission, Inc.
Statement of Activities
For the Year Ended June 30, 2013 (Audited) with Comparative Totals for
the Six Months Ended June 30, 2012 (Unaudited)

	Unrestricted (Audited)	Temporarily Restricted (Audited)	2013 Totals (Audited)	2012 Totals (Unaudited)
Revenues, Gains and Other Support:				
Contributions	$ 1,638,130	-	$ 1,638,130	$ 554,488
Donations in-kind (See Note 3)	974,655	-	974,655	437,231
Contributed services	22,717	-	22,717	2,200
Sales to public:				
Sale of donated inventory	691,137	-	691,137	349,633
Sale of donated scrap metal and rags	64,187	-	64,187	6,067
Sale of donated automobiles	11,465	-	11,465	28,621
Total sales to public	766,789	-	766,789	384,321
Fundraising events (net of expenses)	26,823	-	26,823	8,377
Investment income (loss)	55	-	55	252
Realized gain/(loss) on sale of assets	6,672	-	6,672	1,505
Rental income	25,588	-	25,588	16,893
Other income	15,605	-	15,605	30,010
Net assets released from restriction	-	-	-	-
Total revenues	3,477,034	-	3,477,034	1,435,277
Functional Expenses				
Program services	3,087,367	-	3,087,367	1,495,363
Management and general	223,119	-	223,119	103,459
Fundraising	354,139	-	354,139	77,137
Total functional expenses	3,664,625	-	3,664,625	1,675,959
Change in net assets	(187,591)	-	(187,591)	(240,682)
Net assets - beginning of year	4,507,574	-	4,507,574	4,748,256
Net assets - end or year	$ 4,319,983	-	$ 4,319,983	$ 4,507,574

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

Winston-Salem Rescue Mission, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2013 (Audited) with Comparative Totals for the
Six Months Ended June 30, 2012 (Unaudited)

	Program Services (Audited)	Management and General (Audited)	Fundraising (Audited)	2013 Totals (Audited)	2012 Totals (Unaudited)
Salaries	$ 874,556	119,257	-	$ 993,813	$ 504,182
Employee benefits	174,718	23,825	-	198,543	96,811
Payroll taxes	62,759	8,558	-	71,317	35,972
Total salary and related expenses	1,112,033	151,640	-	1,263,673	636,965
Bank fees	18,327	965	-	19,292	13,717
Computer expenses	38,373	2,098	-	40,471	19,550
Depreciation	252,555	13,293	-	265,848	121,174
Dues and subscriptions	843	-	-	843	3,306
Educational expenses	3,547	-	-	3,547	2,615
Farm expenses	4,615	-	-	4,615	2,451
Food and other	18,163	-	-	18,163	2,452
Fundraising - consultant and other	-	-	354,139	354,139	81,873
Gas and oil	41,655	-	-	41,655	18,941
Gifts to clients	38,596	-	-	38,596	16,403
Insurance	71,397	3,757	-	75,154	22,029
Interest	69,567	3,661	-	73,228	47,798
Kitchen expenses	14,304	-	-	14,304	659
Landfill cost	23,744	-	-	23,744	9,253
Ministry expenses	4,068	-	-	4,068	1,397
Miscellaneous	31,633	-	-	31,633	12,779
Office supplies	13,347	702	-	14,049	37,005
Postage	21,660	1,140	-	22,800	9,667
Legal and accounting	-	33,654	-	33,654	9,225
Promotional expenses	38,245	-	-	38,245	14,014
Repairs and maintenance - facilities	38,656	-	-	38,656	8,135
Repairs and maintenance - vehicles	38,275	2,015	-	40,290	23,564
Repairs and maintenance - other	48,549	2,555	-	51,104	23,779
Staff expenses	756	-	-	756	356
Taxes and licenses	2,427	-	-	2,427	1,115
Travel	3,388	-	-	3,388	4,663
Utilities	145,138	7,639	-	152,777	60,807
	2,093,861	223,119	354,139	2,671,119	1,205,692
Non-cash distributions (See Note 3):					
Thrift store - merchandise	766,789	-	-	766,789	384,321
Distrbutions of food and clothing	204,000	-	-	204,000	83,746
Contributed services	22,717	-	-	22,717	2,200
Total functional expenses	$ 3,087,367	223,119	354,139	$ 3,664,625	$ 1,675,959
Functional expenses by percent	84%	6%	10%	100%	

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

Winston-Salem Rescue Mission, Inc.
Statement of Cash Flows for the Year Ended June 30, 2013 (Audited)
with Comparative Totals for the Six Months Ended June 30, 2012 (Unaudited)

	2013 (Audited)	2012 (Unaudited)
Cash flows from operating activities:		
Cash received from donations	$ 1,638,130	$ 558,990
Store sales and other receipts	836,598	425,720
Interest and dividend income	55	252
Cash paid to suppliers and employees	(2,255,018)	(1,081,904)
Interest paid	(73,228)	(47,798)
Net cash provided (used) by operating activities	146,537	(144,740)
Cash flows from investing activities:		
Purchases of property and equipment	(41,984)	(80,010)
Proceeds from sale of property and equipment	9,634	1,800
Net cash provided (used) by investing activities	(32,350)	(78,210)
Cash flows from financing activities:		
Proceeds from long-term debt	11,500	-
Payments to reduce long-term debt	(129,426)	(37,824)
Net cash provided (used) by financing activities	(117,926)	(37,824)
Net increase (decrease) in cash	(3,739)	(260,774)
Cash at beginning of period	172,479	433,253
Cash at end of period	$ 168,740	$ 172,479

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

Winston-Salem Rescue Mission, Inc.
Statement of Cash Flows for the Year Ended June 30, 2013 (Audited)
with Comparative Totals for the Six Months Ended June 30, 2012 (Unaudited)

	2013 (Audited)	2012 (Unaudited)
Reconciliation of Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Decrease in net assets	$ (187,591)	$ (240,682)
Adjustments:		
Depreciation	265,848	121,174
Loss (gain) on sale of property and equipment	(6,672)	(1,505)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	(3,866)	30,837
Sales tax receivable	5,991	(5,572)
Other current assets	909	94
Unconditional promises to give	-	4,500
Prepaid insurance	1,647	-
Increase (decrease) in:		
Accounts payable	68,607	(48,008)
Accrued payroll	(7,922)	(2,679)
Accrued employee benefits and taxes	9,915	(1,319)
Sales tax payable	(329)	(1,580)
Net cash provided (used) by operating activities	$ 146,537	$ (144,740)

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Winston-Salem Rescue Mission, Inc. (the "Organization", "Mission") was formed on June 19, 1967 under the laws of the state of North Carolina. The Organization is a non-profit, non-denominational, Christian social service organization established as a response to the hundreds of homeless men wandering the streets of the Triad area of North Carolina seeking food, shelter, and spiritual help. Since 1967, the Mission has been actively involved in meeting the physical, spiritual, emotional, and social needs of destitute people. Through services and programs offered, the Organization is able to reach out and effectively enrich men's lives with nurturing and rehabilitative services. Services provided by the Mission include providing residents with shelter, food, and clothing, as well as providing emergency food, clothing, household items, and furniture distribution to needy families. Such programs include Christian counseling and recovery sessions, work therapy and training, chapel services, and financial and life skills classes. As approximately forty percent of the Mission's clients are veterans, the Organization also provides special services to veterans, including weekly visits by a Veterans Affairs representative.

The Mission operates primarily on volunteer contributions. The vast majority of support comes from individual donors; the balance from churches, organizations, and businesses. In addition to cash donations, the Organization receives gifts-in-kind of furniture, clothing, appliances, household items, and vehicles. While many of these items are given to the needy in the community, other donated items are sold in two of the Mission's thrift stores. The sale of vehicles and merchandise sold in the thrift stores provide income for the Mission as well as work opportunities for the residents.

Basis of Accounting

The financial statements of the Mission have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2013

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost and have assigned lives ranging from three to forty years. Improvements and betterments are capitalized, while repairs and maintenance costs are expensed in the statement of activities. The Mission uses the straight-line method to record depreciation over the assets' useful lives. Estimated useful lives for various categories of property and equipment range between three and ten years, while buildings and improvements lives range between fifteen and forty years. Depreciation expense for the year ended June 30, 2013 and for the six months ended June 30, 2012 was $265,848 and $121,174, respectively.

Contributions

Contributions are reported as unrestricted support unless the donor has restricted the donation to a particular program or fund. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. At June 30, 2013, and June 30, 2012, the Organization has segregated the contributions with donor-imposed restrictions that result in temporarily restricted net assets.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the year ended June 30, 2013 and for the six months June 30, 2012 was $5,882 and $2,917, respectively.

Income Taxes

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501 (c) (3) and is not a private foundation under Section 170(b) (1) (A) (vi). The Organization is also exempt from state income tax and, therefore, no provision for income tax has been made in the accompanying statement of activities. The Organization's federal *Return of Organization Exempt From Income Tax* (Form 990) for 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Donated Store Inventory

Donated inventory is physically counted and recorded at estimated fair value.

Donated Goods and Services

The Mission reports the fair value of gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support.

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to the Mission. For those services that do not require special expertise the estimated value of such donated services has not been recorded in the financial statements. In-kind donations and services for which fair value can be validated, which meet the criterion for recognition under ASC Topic 958 have been reflected in the financial statements at their fair value. The Mission recognized approximately $22,717 and $2,200 in volunteer services for the year ended June 30, 2013 and the six months ended June 30, 2012, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon estimates developed by management.

These expenses include cash and non-cash distributions (See Note 3).

2. CONCENTRATION OF RISK

The Organization's financial instruments that are exposed to concentration of credit risk consist primarily of temporary cash investments and certificates of deposit.

The Mission maintains substantially all of its cash and liquid investment with high quality financial institutions. There were no cash deposits in excess of the limit insured by the Federal Deposit Insurance Corporation at June 30, 2013 or 2012, respectively.

3. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in kind & contributed services revenue of $997,372 and $439,431 year ended June 30, 2013 and the six months ended June 30, 2012, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to $993,506 and $470,267 for the year ended June 30, 2013 and the six months ended June 30, 2012, respectively.

Inventory activity for the year ended June 30, 2013 and the six months ended June 30, 2012 was as follows:

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2013

	Thrift Store Operations	Food and Clothing	Totals
Inventory at January 1, 2012	$ 35,351	124,758	$ 160,109
In-kind donations	390,346	46,885	437,231
Retail value of inventory, scrap and vehicles sold to customers	(384,321)	-	(384,321)
Distributions of food and clothing	-	(83,746)	(83,746)
Inventory at June 30, 2012	41,376	87,897	129,273
In-kind donations	788,348	186,307	974,655
Retail value of inventory, scrap and vehicles sold to customers	(766,789)	-	(766,789)
Distributions of food and clothing	-	(204,000)	(204,000)
Inventory at June 30, 2013	$ 62,935	70,204	$ 133,139

Non-cash program expense distributions presented in the statement of functional expenses for the year ended June 30, 2013 and the six months ended June 30, 2012 are as follows:

	2013	2012
Thrift Store	$ 766,789	$ 384,321
Donated food and clothing distribution	204,000	83,746
Contributed services	22,717	2,200
	$ 993,506	$ 470,267

4. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2013 and June 30, 2012:

	2013	2012
Land	$ 889,921	$ 889,921
Building	5,800,447	5,790,774
Machinery and equipment	344,280	315,754
Furniture and fixtures	320,749	319,588
Automotive and transportation equipment	180,563	201,949
Property and equipment	7,535,960	7,517,986
Less, accumulated depreciation	(1,873,572)	(1,630,172)
Property and equipment, net	$ 5,662,388	$ 5,887,814

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2013

5. LINE OF CREDIT

In addition to the debt described in Note 6, the Organization has one other available line of credit that provides for borrowing up to $250,000 and bears a variable interest rate of prime plus one-half percent. There is no collateral assigned to the credit line and termination of the line is at the discretion of the Mission or the lender. There are no outstanding balances under this agreement as of June 30, 2013 or June 30, 2012, respectively.

6. PENSION PLAN

The Organization has an Internal Revenue Code section 403(b) pension plan. The plan covers any individual employed for a minimum of one year. Eligible employees elect to contribute a certain percentage of their salary to the plan. The Mission matches employee contributions up to 3% of their salary. For the year ended June 30, 2013 and the six months ended June 30, 2012, the Mission's contribution to the 403(b) plan was $3,619 and $1,204, respectively.

7. LONG-TERM DEBT

Long-term debt at June 30, 2013 and June 30, 2012, consisted of the following:

	2013	2012
Note payable to First Citizens Bank, bearing interest at a fixed rate of 4.95 percent, with monthly installments of principal and interest of $14,270 with the final installment due of all unpaid interest and principal on September 5, 2014. The note was was secured by all land and improvements owned by the Mission except for Alpha Acres in Yadkinville, North Carolina, note was refinanced on August 12, 2013	$ 1,513,339	$ 1,641,567
Note payable to First Citizens Bank, bearing variable interest at prime plus .25%, with monthly installments of principal and interest of $339 with the final installment due of all unpaid interest and principal on March 5, 2016. The note is secured by a vehicle	10,302	-
Total long-term debt	1,523,641	1,641,567
Less: current portion of long-term debt	118,229	92,077
Total long-term debt, less current portion	$ 1,405,412	$ 1,549,490

Scheduled principal maturities of long-term debt as of June 30, 2013 are as follows:

Year ending June 30,

2014	$ 110,402
2015	135,251
2016	139,506
2017	141,859
2018	147,418
Thereafter	849,205
Total	$ 1,523,641

On August 12, 2013, the Mission refinanced the note payable with First Citizens Bank maturing on September 5, 2014 with a note payable due to First Citizens Bank maturing August 5, 2023 amounting to $1,505,512 bearing interest at a fixed rate 3.85% with monthly payments of principal and interest of $15,279. The note is secured by all land and improvements owned by the Mission except for Alpha Acres in Yadkinville, North Carolina.

8. RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2012 comparative totals to conform to the June 30, 2013 financial statements presentation.

9. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through November 6, 2013, which is the date the financial statements were available to be issued.