



Winston-Salem Rescue Mission, Inc.

Financial Statements

Year Ended June 30, 2015

Winston-Salem Rescue Mission, Inc.

Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees 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, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2014 financial statements and, in our audit report dated October 30, 2014, we expressed an unqualified opinion on those 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dennis Ashe, P.A.

Greensboro, North Carolina
November 4, 2015

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2015 with Comparative Totals for 2014

	2015	2014
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 28,848	\$ 117,653
Inventory		
Thrift store inventory	6,840	6,233
Furniture and appliance inventory	49,985	53,637
Food and groceries inventory	47,217	30,137
Sales tax receivable	11,313	11,924
Other current assets	2,119	458
 Total current assets	 146,322	 220,042
 Property and equipment, at cost, net of accumulated depreciation of \$1,744,317 and \$1,545,645	 5,118,401	 5,293,105
 Total assets	 \$ 5,264,723	 \$ 5,513,147
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 60,724	\$ 46,660
Line of credit	25,000	25,000
Current portion of long-term debt	129,807	124,490
Accrued salaries and wages	95	38,718
Accrued employee benefits and taxes	3,481	1,961
Sales tax payable	6,879	3,148
 Total current liabilities	 225,986	 239,977
 Long-term debt	 1,161,979	 1,282,210
 Total liabilities	 1,387,965	 1,522,187
Net assets:		
Unrestricted		
Net investment in property and equipment	5,118,401	5,293,105
Undesignated, available for general activities	(1,241,643)	(1,302,145)
Total unrestricted net assets	3,876,758	3,990,960
Temporarily restricted	-	-
	3,876,758	3,990,960
 Total liabilities and net assets	 \$ 5,264,723	 \$ 5,513,147

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, 2015 with Comparative Totals for 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Revenues, Gains and Other Support:				
Contributions	\$ 1,788,026	-	\$ 1,788,026	\$ 1,726,338
Donations in-kind (See Note 3)	921,514	-	921,514	934,578
Contributed services	-	-	-	2,000
Sales to public:				
Sale of donated inventory	644,309	-	644,309	649,505
Sale of donated scrap metal and rags	54,229	-	54,229	58,272
Sale of donated automobiles	8,078	-	8,078	10,663
Total sales to public	<u>706,616</u>	<u>-</u>	<u>706,616</u>	<u>718,440</u>
Fundraising events (net of expenses)	27,552	-	27,552	24,636
Program fees	54,329	-	54,329	42,672
Investment income (loss)	1	-	1	39
Realized gain/(loss) on sale of assets	1,040	-	1,040	-
Other income	41,050	-	41,050	3,003
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,540,128</u>	<u>-</u>	<u>3,540,128</u>	<u>3,451,706</u>
Functional Expenses				
Program services	3,027,654	-	3,027,654	3,259,369
Management and general	222,225	-	222,225	221,525
Fundraising	404,451	-	404,451	299,835
Total functional expenses	<u>3,654,330</u>	<u>-</u>	<u>3,654,330</u>	<u>3,780,729</u>
Change in net assets	(114,202)	-	(114,202)	(329,023)
Net assets - beginning of year	<u>3,990,960</u>	<u>-</u>	<u>3,990,960</u>	<u>4,319,983</u>
Net assets - end of year	<u>\$ 3,876,758</u>	<u>-</u>	<u>\$ 3,876,758</u>	<u>\$ 3,990,960</u>

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

Statement of Functional Expenses
For the Year Ended June 30, 2015 with Comparative Totals for 2014

	Program Services	Management and General	Fundraising	2015 Totals	2014 Totals
Salaries	\$ 1,030,183	140,480	-	\$ 1,170,663	\$ 1,045,389
Employee benefits	67,635	9,390	-	77,025	198,167
Payroll taxes	77,395	10,554	-	87,949	64,697
Total salaries and related expenses	<u>1,175,213</u>	<u>160,424</u>	<u>-</u>	<u>1,335,637</u>	<u>1,308,253</u>
Bank fees	27,632	1,454	-	29,086	35,899
Computer expenses	42,440	2,229	-	44,669	43,554
Depreciation	195,142	10,271	-	205,413	425,211
Dues and subscriptions	1,919	-	-	1,919	6,946
Educational expenses	15,164	-	-	15,164	2,774
Farm expenses	1,734	83	-	1,817	2,119
Food and other	26,445	-	-	26,445	19,753
Fundraising - consultant and other	-	-	404,451	404,451	299,835
Gas and oil	30,955	-	-	30,955	35,288
Gifts to clients	6,078	-	-	6,078	4,498
Insurance	67,642	3,560	-	71,202	57,248
Interest	51,757	2,724	-	54,481	60,352
Kitchen expenses	26,615	749	-	27,364	14,411
Landfill cost	26,721	1,406	-	28,127	27,263
Ministry expenses	2,855	-	-	2,855	2,476
Miscellaneous	36,650	83	-	36,733	59,503
Office supplies	26,880	1,160	-	28,040	29,172
Postage	22,354	1,177	-	23,531	25,891
Legal and accounting	-	24,144	-	24,144	19,111
Promotional expenses	42,998	-	-	42,998	44,683
Repairs and maintenance - facilities	60,222	1,919	-	62,141	34,370
Repairs and maintenance - vehicles	36,883	1,941	-	38,824	30,408
Repairs and maintenance - other	24,534	1,105	-	25,639	52,022
Staff expenses	1,799	-	-	1,799	1,127
Taxes and licenses	2,717	-	-	2,717	4,097
Travel	5,389	-	-	5,389	6,080
Utilities	148,131	7,796	-	155,927	148,675
	<u>2,106,869</u>	<u>222,225</u>	<u>404,451</u>	<u>2,733,545</u>	<u>2,801,019</u>
Non-cash distributions (See Note 3):					
Thrift store - merchandise	720,423	-	-	720,423	718,440
Distributions of food and clothing	200,362	-	-	200,362	259,270
Contributed services	-	-	-	-	2,000
Total functional expenses	<u>\$ 3,027,654</u>	<u>222,225</u>	<u>404,451</u>	<u>\$ 3,654,330</u>	<u>\$ 3,780,729</u>
Functional expenses by percent	<u>83%</u>	<u>6%</u>	<u>11%</u>	<u>100%</u>	

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, 2015
with Comparative Totals for 2014

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	2015	2014
Cash flows from operating activities:		
Cash received from donations	\$ 1,786,983	\$ 1,726,338
Store sales and other receipts	837,081	788,005
Interest and dividend income	1	39
Cash paid to suppliers and employees	(2,513,806)	(2,357,248)
Interest paid	(54,481)	(60,352)
Net cash provided (used) by operating activities	55,778	96,782
 Cash flows from investing activities:		
Purchases of property and equipment	(32,470)	(55,928)
Proceeds from sale of property and equipment	2,800	-
Net cash provided (used) by investing activities	(29,670)	(55,928)
 Cash flows from financing activities:		
Payments to reduce long-term debt	(114,913)	(91,941)
Net cash provided (used) by financing activities	(114,913)	(91,941)
Net increase (decrease) in cash	(88,805)	(51,087)
Cash at beginning of period	117,653	168,740
Cash at end of period	\$ 28,848	\$ 117,653

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, 2015
with Comparative Totals for 2014

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	2015	2014
<u>Reconciliation of Decrease in Net Assets</u>		
<u>to Net Cash Provided (Used) by Operating Activities:</u>		
Decrease in net assets	\$ (114,202)	\$ (329,023)
Adjustments:		
Depreciation	205,413	425,211
Loss (gain) on sale of property and equipment	(1,040)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	(14,035)	43,132
Sales tax receivable	611	(5,771)
Other current assets	(1,661)	6,468
Increase (decrease) in:		
Accounts payable	14,064	(37,374)
Accrued payroll	(38,623)	1,580
Accrued employee benefits and taxes	1,520	(9,402)
Sales tax payable	3,731	1,961
	55,778	96,782
Net cash provided (used) by operating activities	\$ 55,778	\$ 96,782

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2015

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, clothing, and other programs. Such programs include Christian counseling and recovery sessions, work therapy and training, chapel services, and financial and life skills classes. The Mission also provides emergency food and clothing, as well as medical and dental clinics free of charge to other needy individuals in the Triad area. As approximately twenty 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 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, 2015

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 years ended June 30, 2015 and 2014 was \$205,413 and \$425,211, respectively.

During the year-ended June 30, 2014, management evaluated the long lived assets recorded by the Mission. The evaluation process, along with the subsequent reconciliation, resulted in reclassifications between categories; recognition of disposal of fully depreciated items considered obsolete or no longer on hand; and where supported, adjustment of useful lives. This resulted in a one-time increase to depreciation expense of \$159,363.

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, 2015 and 2014, 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 years ended June 30, 2015 and 2014 was \$13,555 and \$8,851, 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 2012 - 2015 are subject to examination by the IRS, generally for three years after they were filed.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2015

The Organization accounts for income taxes in accordance with ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination.

The Organization has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the criteria under ASC 740. Accordingly, the provisions of ASC 740 did not have any impact on the accompanying financial statements.

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 did not recognize any volunteer services for the year ended June 30, 2015. Volunteer services amounted to \$2,000 for the year ended June 30, 2014.

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 investments 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, 2015 or 2014, respectively.

3. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in kind and contributed services revenue of \$921,514 and \$936,578 for the years ended June 30, 2015 and 2014, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to \$920,785 and \$979,710 for the years ended June 30, 2015 and 2014, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2015

Inventory activity for the years ended June 30, 2015 and 2014 was as follows:

	<u>Thrift Store Operations</u>	<u>Food and Clothing</u>	<u>Totals</u>
Inventory at June 30, 2013	\$ 62,935	70,204	\$ 133,139
In-kind donations	715,375	219,203	934,578
Retail value of inventory, scrap and vehicles sold to customers	(718,440)	-	(718,440)
Distributions of food and clothing	<u>-</u>	<u>(259,270)</u>	<u>(259,270)</u>
Inventory at June 30, 2014	59,870	30,137	90,007
In-kind donations	717,378	217,442	934,820
Retail value of inventory, scrap and vehicles sold to customers	(720,423)	-	(720,423)
Distributions of food and clothing	<u>-</u>	<u>(200,362)</u>	<u>(200,362)</u>
Inventory at June 30, 2015	<u>\$ 56,825</u>	<u>47,217</u>	<u>\$ 104,042</u>

Non-cash program expense distributions presented in the statement of functional expenses for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Thrift Store	\$ 720,423	\$ 718,440
Donated food and clothing distribution	200,362	259,270
Contributed services	<u>-</u>	<u>2,000</u>
	<u>\$ 920,785</u>	<u>\$ 979,710</u>

4. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2015 and June 30, 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 536,945	\$ 536,945
Building	5,773,230	5,773,230
Machinery and equipment	233,903	228,130
Furniture and fixtures	177,472	176,747
Automotive and transportation equipment	<u>141,168</u>	<u>123,698</u>
Property and equipment	6,862,718	6,838,750
Less, accumulated depreciation	<u>(1,744,317)</u>	<u>(1,545,645)</u>
Property and equipment, net	<u>\$ 5,118,401</u>	<u>\$ 5,293,105</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2015

5. LINE OF CREDIT

In addition to the debt described in Note 8, 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 was a \$25,000 balance outstanding under this agreement for both of the years ended June 30, 2015 and 2014.

6. PENSION PLAN

The Organization has an Internal Revenue Code section 403(b) pension plan. Participation in the Plan is available on the first day of employment. Eligible employees elect to contribute a certain percentage of their salary to the plan. After 90 days of full-time service, the Mission matches employee contributions up to 3% of their salary. For the years ended June 30, 2015 and 2014, the Mission's contributions to the 403(b) plan were \$12,328 and \$5,183, respectively.

7. FAIR VALUE MEASUREMENTS

The Organization's financial instruments are cash and cash equivalents, accounts payable, accrued expenses, and long-term debt. The recorded value of cash and cash equivalents, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. Management believes that the recorded values of long-term debt approximate fair value, as they believe interest rates approximate market rates based upon consideration of the issuer, purpose and repayment terms of the instruments held. There are no assets or liabilities of the Organization that are reported at fair value on a recurring basis.

8. LONG-TERM DEBT

Long-term debt at June 30, 2015 and June 30, 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Note payable to First Citizens Bank, bearing interest at a fixed rate of 3.85 percent, with monthly installments of principal and interest of \$15,279 with the final installment due of all unpaid interest and principal on August 5, 2023. The note was secured by all land and improvements owned by the Mission except for Alpha Acres in Yadkinville, North Carolina.	\$ 1,268,703	\$ 1,399,810

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2015

Note payable to First Citizens Bank, bearing variable interest at prime plus .25%, with monthly installments of principal and interest of \$339 and is secured by a vehicle. All principal and interest was paid in November, 2014.	-	6,890
Note payable to Nissan Motor Acceptance Corporation, bearing an annual interest rate of 2.99%, with monthly installments of principal and interest of \$467 with the final installment due of all unpaid interest and principal on December 5, 2019. The note is secured by a vehicle.	<u>23,083</u>	<u>-</u>
Total long-term debt	1,291,786	1,406,700
Less: current portion of long-term debt	<u>129,807</u>	<u>124,490</u>
Total long-term debt, less current portion	\$ <u><u>1,161,979</u></u>	\$ <u><u>1,282,210</u></u>

Scheduled principal maturities of long-term debt as of June 30, 2015 are as follows:

Year ending June 30,

2016	129,807
2017	146,979
2018	152,693
2019	158,629
2020	161,974
Thereafter	<u>541,704</u>
Total	\$ <u><u>1,291,786</u></u>

9. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through November 4, 2015, which is the date the financial statements were available to be issued.