



Winston-Salem Rescue Mission, Inc.

Financial Statements

Year Ended June 30, 2016

Winston-Salem Rescue Mission, Inc.

Year Ended June 30, 2016

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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, 2016, 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.

Auditors' 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 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, 2016, 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

We have previously audited the Winston-Salem Rescue Mission, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dennis Ashe, P.A.

Greensboro, North Carolina
November 14, 2016

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2016 with Comparative Totals for 2015

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	2016	2015
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 72,555	\$ 28,848
Inventory		
Thrift store inventory	8,688	6,840
Furniture and appliance inventory	43,432	49,985
Food and groceries inventory	144,417	47,217
Sales tax receivable	4,247	11,313
Other current assets	4,404	2,119
Total current assets	277,743	146,322
Property and equipment, at cost, net of accumulated depreciation of \$1,928,977 and \$1,744,317	5,030,501	5,118,401
Total assets	\$ 5,308,244	\$ 5,264,723
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 55,725	\$ 60,724
Line of credit	60,000	25,000
Current portion of long-term debt	147,043	129,807
Accrued salaries and wages	-	95
Accrued employee benefits and taxes	286	3,481
Sales tax payable	3,135	6,879
Total current liabilities	266,189	225,986
Long-term debt	1,015,278	1,161,979
Total liabilities	1,281,467	1,387,965
Net assets:		
Unrestricted		
Net investment in property and equipment	5,030,501	5,118,401
Undesignated, available for general activities	(1,012,394)	(1,241,643)
Total unrestricted net assets	4,018,107	3,876,758
Temporarily restricted	8,670	-
	4,026,777	3,876,758
Total liabilities and net assets	\$ 5,308,244	\$ 5,264,723

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, 2016 with Comparative Totals for 2015

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
Revenues, Gains and Other Support:				
Contributions	\$ 1,982,832	-	\$ 1,982,832	\$ 1,788,026
Donations in-kind (See Note 3)	1,072,639	-	1,072,639	921,514
Contributed goods and volunteer services	81,050	-	81,050	-
Sales to public:				
Sale of donated inventory	661,867	-	661,867	698,538
Sale of donated automobiles	-	-	-	8,078
Total sales to public	661,867	-	661,867	706,616
Fundraising events (net of expenses)	56,596	-	56,596	27,552
Program fees	65,480	-	65,480	54,329
Realized gain/(loss) on sale of assets	500	-	500	1,040
Other income	11,770	-	11,770	41,051
Net assets released from restriction	(8,670)	8,670	-	-
Total revenues	3,924,064	8,670	3,932,734	3,540,128
Functional Expenses				
Program services	3,052,245	-	3,052,245	3,027,654
Management and general	228,711	-	228,711	222,225
Fundraising	501,759	-	501,759	404,451
Total functional expenses	3,782,715	-	3,782,715	3,654,330
Change in net assets	141,349	8,670	150,019	(114,202)
Net assets - beginning of year	3,876,758	-	3,876,758	3,990,960
Net assets - end of year	\$ 4,018,107	8,670	\$ 4,026,777	\$ 3,876,758

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

Statement of Functional Expenses
For the Year Ended June 30, 2016 with Comparative Totals for 2015

	Program Services	Management and General	Fundraising	2016 Totals	2015 Totals
Salaries	\$ 1,125,152	161,195	57,040	\$ 1,343,387	\$ 1,171,373
Employee benefits	24,967	3,521	856	29,344	76,315
Payroll taxes	83,318	11,935	4,207	99,460	87,949
Total salaries and related expenses	<u>1,233,437</u>	<u>176,651</u>	<u>62,103</u>	<u>1,472,191</u>	<u>1,335,637</u>
Bank fees	21,396	1,126	-	22,522	29,086
Computer expenses	47,117	2,480	-	49,597	44,669
Depreciation	175,286	9,226	-	184,512	205,413
Dues and subscriptions	5,326	280	-	5,606	1,919
Educational expenses	12,864	-	-	12,864	5,404
Farm expenses	2,420	61	-	2,481	1,817
Food and other	35,725	-	-	35,725	30,339
Fundraising - consultant and other	-	-	439,656	439,656	404,451
Gas and oil	22,711	-	-	22,711	30,955
Gifts to clients	3,001	-	-	3,001	6,078
Insurance	64,333	3,386	-	67,719	71,202
Interest	47,858	2,519	-	50,377	54,481
Kitchen expenses	16,505	273	-	16,778	27,364
Garbage disposal	25,719	1,354	-	27,073	28,127
Miscellaneous	24,948	53	-	25,001	53,394
Office supplies	19,027	1,001	-	20,028	28,040
Postage	26,477	1,394	-	27,871	23,531
Legal and accounting	-	15,900	-	15,900	24,144
Promotional expenses	33,123	-	-	33,123	39,104
Repairs and maintenance - facilities	50,850	2,676	-	53,526	62,141
Repairs and maintenance - vehicles	30,601	1,611	-	32,212	38,824
Repairs and maintenance - other	22,203	1,169	-	23,372	25,639
Staff expenses	1,441	84	-	1,525	1,799
Taxes and licenses	2,502	26	-	2,528	2,717
Travel	4,811	-	-	4,811	15,149
Utilities	141,370	7,441	-	148,811	155,927
	<u>2,071,051</u>	<u>228,711</u>	<u>501,759</u>	<u>2,801,521</u>	<u>2,747,351</u>
Non-cash distributions (See Note 3):					
Thrift store - merchandise	661,867	-	-	661,867	706,616
Distributions of food and clothing	318,277	-	-	318,277	200,363
Contributed services	1,050	-	-	1,050	-
Total functional expenses	<u>\$ 3,052,245</u>	<u>228,711</u>	<u>501,759</u>	<u>\$ 3,782,715</u>	<u>\$ 3,654,330</u>
Functional expenses by percent	<u>81%</u>	<u>6%</u>	<u>13%</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, 2016
with Comparative Totals for 2015

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	2016	2015
Cash flows from operating activities:		
Cash received from donations	\$ 1,982,831	\$ 1,786,983
Store sales and other receipts	801,454	837,081
Interest and dividend income	2	1
Cash paid to suppliers and employees	(2,579,626)	(2,513,806)
Interest paid	(50,377)	(54,481)
Net cash provided (used) by operating activities	154,284	55,778
 Cash flows from investing activities:		
Purchases of property and equipment	(16,612)	(32,470)
Proceeds from sale of property and equipment	500	2,800
Net cash provided (used) by investing activities	(16,112)	(29,670)
 Cash flows from financing activities:		
Payments to reduce long-term debt	(129,465)	(114,913)
Proceeds from line of credit	35,000	-
Net cash provided (used) by financing activities	(94,465)	(114,913)
Net increase (decrease) in cash	43,707	(88,805)
Cash at beginning of period	28,848	117,653
Cash at end of period	\$ 72,555	\$ 28,848

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, 2016
with Comparative Totals for 2015

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	2016	2015
<u>Reconciliation of Decrease in Net Assets</u>		
<u>to Net Cash Provided (Used) by Operating Activities:</u>		
Increase (decrease) in net assets	\$ 150,019	\$ (114,202)
Adjustments:		
Depreciation	184,512	205,413
Loss (gain) on sale of property and equipment	(500)	(1,040)
Donated building improvements	(80,000)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	(92,495)	(14,035)
Sales tax receivable	7,066	611
Other current assets	(2,285)	(1,661)
Increase (decrease) in:		
Accounts payable	(4,999)	14,064
Accrued payroll	(95)	(38,623)
Accrued employee benefits and taxes	(3,195)	1,520
Sales tax payable	(3,744)	3,731
	(3,744)	3,731
Net cash provided (used) by operating activities	\$ 154,284	\$ 55,778

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2016

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 visits as needed 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 donations, including food, 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 therapy 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.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2016

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.

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, 2016 and 2015 was \$184,512 and \$205,413, 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.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the years ended June 30, 2016 and 2015 was \$10,580 and \$13,555, 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 2013 - 2016 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, 2016

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 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. Contributed goods and volunteer services amounted to \$81,050 for the year ended June 30, 2016, which included building improvements valued at \$70,000 and land improvements valued at \$10,000. The Mission did not recognize any contributed goods and volunteer services for the year ended June 30, 2015.

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, 2016 or 2015, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2016

3. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in kind and contributed services revenue of \$1,153,689 and \$921,514 for the years ended June 30, 2016 and 2015, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to \$981,194 and \$906,979 for the years ended June 30, 2016 and 2015, respectively.

Inventory activity for the years ended June 30, 2016 and 2015 was as follows:

	<u>Thrift Store Operations</u>	<u>Food and Clothing</u>	<u>Totals</u>
Inventory at June 30, 2014	\$ 59,370	30,137	\$ 89,507
In-kind donations	704,071	217,443	921,514
Retail value of inventory, scrap and vehicles sold to customers	(706,616)	-	(706,616)
Distributions of food and clothing	<u>-</u>	<u>(200,363)</u>	<u>(200,363)</u>
Inventory at June 30, 2015	56,825	47,217	104,042
In-kind donations	657,162	415,477	1,072,639
Retail value of inventory, scrap and vehicles sold to customers	(661,867)	-	(661,867)
Distributions of food and clothing	<u>-</u>	<u>(318,277)</u>	<u>(318,277)</u>
Inventory at June 30, 2016	<u>\$ 52,120</u>	<u>144,417</u>	<u>\$ 196,537</u>

Non-cash program expense distributions presented in the statement of functional expenses for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Thrift Store	\$ 661,867	\$ 706,616
Donated food and clothing distribution	318,277	200,363
Contributed services	<u>1,050</u>	<u>-</u>
	<u>\$ 981,194</u>	<u>\$ 906,979</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2016

4. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 536,645	\$ 536,945
Building	5,859,730	5,773,230
Machinery and equipment	233,903	233,903
Furniture and fixtures	183,532	177,472
Automotive and transportation equipment	<u>145,668</u>	<u>141,168</u>
Property and equipment	6,959,478	6,862,718
Less, accumulated depreciation	<u>(1,928,977)</u>	<u>(1,744,317)</u>
Property and equipment, net	<u>\$ 5,030,501</u>	<u>\$ 5,118,401</u>

5. LINE OF CREDIT

In addition to the debt described in Note 9, 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 .75 percent, 4.25 percent as of June 30, 2016. Payments of interest due on the outstanding balance are payable on a monthly basis. A second deed of trust on Winston-Salem Rescue Mission, Inc. property is assigned as collateral to the credit line and termination of the line is at the discretion of the Mission or the lender. There is also a one to one cash flow financial covenant on the credit line. The balance outstanding under this agreement amounted to \$60,000 and \$25,000 for the years ended June 30, 2016 and 2015, respectively.

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 50% of employee contributions, up to a maximum matching contribution equal to 3% of their salary. For the years ended June 30, 2016 and 2015, the Mission's contributions to the 403(b) plan were \$10,607 and \$12,328, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2016

7. NET ASSET CLASSIFICATION

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 7,468	\$ -
Food Purchases	<u>1,202</u>	<u>-</u>
	<u>\$ 8,670</u>	<u>\$ -</u>

8. 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.

9. LONG-TERM DEBT

Long-term debt at June 30, 2016 and June 30, 2015, consisted of the following:

	<u>2016</u>	<u>2015</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.	\$ 1,144,171	\$ 1,268,703
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>18,150</u>	<u>23,083</u>
Total long-term debt	1,162,321	1,291,786
Less: current portion of long-term debt	<u>147,043</u>	<u>129,807</u>
Total long-term debt, less current portion	<u>\$ 1,015,278</u>	<u>\$ 1,161,979</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2016

Scheduled principal maturities of long-term debt as of June 30, 2016 are as follows:

Year ending June 30,

2017	147,043
2018	152,760
2019	158,700
2020	161,595
2021	165,513
Thereafter	<u>376,710</u>
Total	<u>\$ 1,162,321</u>

10. RECLASSIFICATION

Certain amounts in the June 30, 2015 financial statements have been reclassified for comparative purposes to conform with the presentation in the June 30, 2016 financial statements.

11. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through November 14, 2016, which is the date the financial statements were available to be issued.