



Winston-Salem Rescue Mission, Inc.

Financial Statements

Year Ended June 30, 2014

Winston-Salem Rescue Mission, Inc.

Year Ended June 30, 2014

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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, 2014, 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 2013 financial statements and, in our audit report dated November 6, 2013, 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, 2014, 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.

Duncan Ashe, P.A.

Greensboro, North Carolina
October 30, 2014

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2014 with Comparative Totals for 2013

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	2014	2013
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 117,653	\$ 168,740
Inventory		
Thrift store inventory	6,233	16,434
Furniture and appliance inventory	53,637	46,501
Food and groceries inventory	30,137	70,204
Sales tax receivable	11,924	6,153
Other current assets	458	6,926
Total current assets	220,042	314,958
Property and equipment, at cost, net of accumulated depreciation of \$1,545,645 and \$1,873,572	5,293,105	5,662,388
Total assets	\$ 5,513,147	\$ 5,977,346
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 46,660	\$ 84,034
Line of credit	25,000	-
Current portion of long-term debt	124,490	118,229
Accrued salaries and wages	38,718	37,138
Accrued employee benefits and taxes	1,961	11,363
Sales tax payable	3,148	1,187
Total current liabilities	239,977	251,951
Long-term debt	1,282,210	1,405,412
Total liabilities	1,522,187	1,657,363
Net assets:		
Unrestricted		
Net investment in property and equipment	5,293,105	5,662,388
Undesignated, available for general activities	(1,302,145)	(1,342,405)
Total unrestricted net assets	3,990,960	4,319,983
Temporarily restricted	-	-
	3,990,960	4,319,983
Total liabilities and net assets	\$ 5,513,147	\$ 5,977,346

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, 2014 with Comparative Totals for 2013

	Unrestricted	Temporarily Restricted	2014 Totals	2013 Totals
Revenues, Gains and Other Support:				
Contributions	\$ 1,726,338	-	\$ 1,726,338	\$ 1,638,130
Donations in-kind (See Note 3)	934,578	-	934,578	974,655
Contributed services	2,000	-	2,000	22,717
Sales to public:				
Sale of donated inventory	649,505	-	649,505	691,137
Sale of donated scrap metal and rags	58,272	-	58,272	64,187
Sale of donated automobiles	10,663	-	10,663	11,465
Total sales to public	718,440	-	718,440	766,789
Fundraising events (net of expenses)	24,636	-	24,636	26,823
Program fees	42,672	-	42,672	33,009
Investment income (loss)	39	-	39	55
Realized gain/(loss) on sale of assets	-	-	-	6,672
Other income	3,003	-	3,003	8,184
Net assets released from restriction	-	-	-	-
Total revenues	3,451,706	-	3,451,706	3,477,034
Functional Expenses				
Program services	3,259,369	-	3,259,369	3,087,367
Management and general	221,525	-	221,525	223,119
Fundraising	299,835	-	299,835	354,139
Total functional expenses	3,780,729	-	3,780,729	3,664,625
Change in net assets	(329,023)	-	(329,023)	(187,591)
Net assets - beginning of year	4,319,983	-	4,319,983	4,507,574
Net assets - end or year	\$ 3,990,960	-	\$ 3,990,960	\$ 4,319,983

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

Statement of Functional Expenses
For the Year Ended June 30, 2014 with Comparative Totals for 2013

	Program Services	Management and General	Fundraising	2014 Totals	2013 Totals
Salaries	\$ 919,942	125,447	-	\$ 1,045,389	\$ 993,813
Employee benefits	174,387	23,780	-	198,167	198,543
Payroll taxes	56,933	7,764	-	64,697	71,317
Total salary and related expenses	<u>1,151,262</u>	<u>156,991</u>	<u>-</u>	<u>1,308,253</u>	<u>1,263,673</u>
Bank fees	34,104	1,795	-	35,899	19,292
Computer expenses	41,376	2,178	-	43,554	40,471
Depreciation	403,950	21,261	-	425,211	265,848
Dues and subscriptions	6,946	-	-	6,946	843
Educational expenses	2,774	-	-	2,774	3,547
Farm expenses	2,119	-	-	2,119	4,615
Food and other	19,753	-	-	19,753	18,163
Fundraising - consultant and other	-	-	299,835	299,835	354,139
Gas and oil	35,288	-	-	35,288	41,655
Gifts to clients	4,498	-	-	4,498	38,596
Insurance	54,386	2,862	-	57,248	75,154
Interest	57,334	3,018	-	60,352	73,228
Kitchen expenses	14,411	-	-	14,411	14,304
Landfill cost	27,263	-	-	27,263	23,744
Ministry expenses	2,476	-	-	2,476	4,068
Miscellaneous	59,503	-	-	59,503	31,633
Office supplies	27,713	1,459	-	29,172	14,049
Postage	24,596	1,295	-	25,891	22,800
Legal and accounting	-	19,111	-	19,111	33,654
Promotional expenses	44,683	-	-	44,683	38,245
Repairs and maintenance - facilities	34,370	-	-	34,370	38,656
Repairs and maintenance - vehicles	28,888	1,520	-	30,408	40,290
Repairs and maintenance - other	49,421	2,601	-	52,022	51,104
Staff expenses	1,127	-	-	1,127	756
Taxes and licenses	4,097	-	-	4,097	2,427
Travel	6,080	-	-	6,080	3,388
Utilities	141,241	7,434	-	148,675	152,777
	<u>2,279,659</u>	<u>221,525</u>	<u>299,835</u>	<u>2,801,019</u>	<u>2,671,119</u>
Non-cash distributions (See Note 3):					
Thrift store - merchandise	718,440	-	-	718,440	766,789
Distributions of food and clothing	259,270	-	-	259,270	204,000
Contributed services	2,000	-	-	2,000	22,717
Total functional expenses	<u>\$ 3,259,369</u>	<u>221,525</u>	<u>299,835</u>	<u>\$ 3,780,729</u>	<u>\$ 3,664,625</u>
Functional expenses by percent	<u>86%</u>	<u>6%</u>	<u>8%</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, 2014
with Comparative Totals for 2013

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	2014	2013
Cash flows from operating activities:		
Cash received from donations	\$ 1,726,338	\$ 1,638,130
Store sales and other receipts	788,005	836,598
Interest and dividend income	39	55
Cash paid to suppliers and employees	(2,357,248)	(2,255,018)
Interest paid	(60,352)	(73,228)
Net cash provided (used) by operating activities	96,782	146,537
 Cash flows from investing activities:		
Purchases of property and equipment	(55,928)	(41,984)
Proceeds from sale of property and equipment	-	9,634
Net cash provided (used) by investing activities	(55,928)	(32,350)
 Cash flows from financing activities:		
Proceeds from long-term debt	-	11,500
Payments to reduce long-term debt	(91,941)	(129,426)
Net cash provided (used) by financing activities	(91,941)	(117,926)
Net increase (decrease) in cash	(51,087)	(3,739)
Cash at beginning of period	168,740	172,479
Cash at end of period	\$ 117,653	\$ 168,740

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, 2014
with Comparative Totals for 2013

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	2014	2013
<u>Reconciliation of Decrease in Net Assets</u>		
<u>to Net Cash Provided (Used) by Operating Activities:</u>		
Decrease in net assets	\$ (329,023)	\$ (187,591)
Adjustments:		
Depreciation	425,211	265,848
Loss (gain) on sale of property and equipment	-	(6,672)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	43,132	(3,866)
Sales tax receivable	(5,771)	5,991
Other current assets	6,468	909
Prepaid insurance	-	1,647
Increase (decrease) in:		
Accounts payable	(37,374)	68,607
Accrued payroll	1,580	(7,922)
Accrued employee benefits and taxes	(9,402)	9,915
Sales tax payable	1,961	(329)
Net cash provided (used) by operating activities	\$ 96,782	\$ 146,537

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2014

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 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, 2014

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, 2014 and 2013 was \$425,211 and \$265,848, 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, 2014 and 2013, 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, 2014 and 2013 was \$8,851 and \$5,882, 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 2011, 2012, and 2013 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, 2014

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 recognized approximately \$2,000 and \$22,717 in volunteer services for the years ended June 30, 2014 and 2013, 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 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, 2014 or 2013, respectively.

3. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in kind and contributed services revenue of \$936,578 and \$997,372 for the years ended June 30, 2014 and 2013, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to \$979,710 and \$993,506 for the years ended June 30, 2014 and 2013, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2014

Inventory activity for the years ended June 30, 2014 and 2013 was as follows:

	<u>Thrift Store Operations</u>	<u>Food and Clothing</u>	<u>Totals</u>
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	<u>-</u>	<u>(204,000)</u>	<u>(204,000)</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	<u>\$ 59,870</u>	<u>30,137</u>	<u>\$ 90,007</u>

Non-cash program expense distributions presented in the statement of functional expenses for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Thrift Store	\$ 718,440	\$ 766,789
Donated food and clothing distribution	259,270	204,000
Contributed services	<u>2,000</u>	<u>22,717</u>
	<u>\$ 979,710</u>	<u>\$ 993,506</u>

4. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2014 and June 30, 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 536,945	\$ 889,921
Building	5,773,230	5,800,447
Machinery and equipment	228,130	344,280
Furniture and fixtures	176,747	320,749
Automotive and transportation equipment	<u>123,698</u>	<u>180,563</u>
Property and equipment	6,838,750	7,535,960
Less, accumulated depreciation	<u>(1,545,645)</u>	<u>(1,873,572)</u>
Property and equipment, net	<u>\$ 5,293,105</u>	<u>\$ 5,662,388</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2014

5. LINE OF CREDIT

In addition to the debt described in Note 7, 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 and \$0 balance outstanding under this agreement for the years ended June 30, 2014 or 2013, 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 years ended June 30, 2014 and 2013, the Mission's contributions to the 403(b) plan were \$5,183 and \$3,619, respectively.

7. LONG-TERM DEBT

Long-term debt at June 30, 2014 and June 30, 2013, consisted of the following:

	<u>2014</u>	<u>2013</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.	\$ 1,399,810	\$ 1,513,339
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.	<u>6,890</u>	<u>10,302</u>
Total long-term debt	1,406,700	1,523,641
Less: current portion of long-term debt	<u>124,490</u>	<u>118,229</u>
Total long-term debt, less current portion	<u>\$ 1,282,210</u>	<u>\$ 1,405,412</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2014

Scheduled principal maturities of long-term debt as of June 30, 2014 are as follows:

Year ending June 30,

2015	124,490
2016	139,512
2017	141,859
2018	147,418
2019	153,195
Thereafter	<u>700,226</u>
Total	<u>\$ 1,406,700</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. RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2013 comparative totals to conform to the June 30, 2014 financial statements presentation.

10. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through October 30, 2014, which is the date the financial statements were available to be issued.