



Winston-Salem Rescue Mission, Inc.

Financial Statements

Year Ended June 30, 2017

Winston-Salem Rescue Mission, Inc.

Year Ended June 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	8

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Duncan Ashe, P.A.

Greensboro, North Carolina
November 13, 2017

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2017
with Comparative Totals for 2016

	2017	2016
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 90,094	\$ 72,555
Inventory		
Thrift store inventory	8,536	8,688
Furniture and appliance inventory	39,598	43,432
Food and groceries inventory	139,497	144,417
Sales tax receivable	5,115	4,247
Other current assets	3,806	4,404
 Total current assets	 286,646	 277,743
 Property and equipment, at cost, net of accumulated depreciation of \$2,106,483 and \$1,928,977	 4,866,084	 5,030,501
 Total assets	 \$ 5,152,730	 \$ 5,308,244
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 69,675	\$ 55,725
Line of credit	-	60,000
Current portion of long-term debt	152,760	147,043
Accrued salaries and wages	20,457	-
Accrued employee benefits and taxes	2	286
Sales tax payable	3,232	3,135
Deferred revenue	32,120	-
 Total current liabilities	 278,246	 266,189
 Long-term debt	 851,155	 1,015,278
 Total liabilities	 1,129,401	 1,281,467
Net assets:		
Unrestricted		
Net investment in property and equipment	4,866,084	5,030,501
Undesignated, available for general activities	(873,662)	(1,012,394)
Total unrestricted net assets	3,992,422	4,018,107
Temporarily restricted	30,907	8,670
	4,023,329	4,026,777
 Total liabilities and net assets	 \$ 5,152,730	 \$ 5,308,244

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, 2017
with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
Revenues, Gains and Other Support:				
Contributions	\$ 1,631,758	31,209	\$ 1,662,967	\$ 1,982,832
Donations in-kind (See Note 3)	1,211,788	-	1,211,788	1,072,639
Contributed goods and volunteer services	6,605	-	6,605	81,050
Sales to public:				
Sale of donated inventory	601,260	-	601,260	661,867
Sale of donated automobiles	1,718	-	1,718	-
Total sales to public	602,978	-	602,978	661,867
Fundraising events (net of expenses)	32,574	-	32,574	56,596
Program fees	65,393	-	65,393	65,480
Realized gain/(loss) on sale of assets	(1,025)	-	(1,025)	500
Other income	4,876	-	4,876	11,770
Net assets released from restriction	8,972	(8,972)	-	-
Total revenues	3,563,919	22,237	3,586,156	3,932,734
Functional Expenses				
Program services	3,143,347	-	3,143,347	3,052,245
Management and general	235,715	-	235,715	228,711
Fundraising	210,542	-	210,542	501,759
Total functional expenses	3,589,604	-	3,589,604	3,782,715
Change in net assets	(25,685)	22,237	(3,448)	150,019
Net assets - beginning of year	4,018,107	8,670	4,026,777	3,876,758
Net assets - end of year	\$ 3,992,422	30,907	\$ 4,023,329	\$ 4,026,777

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, 2017
with Comparative Totals for 2016

5

	Program Services	Management and General	Fundraising	2017 Totals	2016 Totals
Salaries	\$ 1,014,873	167,628	22,211	\$ 1,204,712	\$ 1,343,387
Employee benefits	26,303	3,587	-	29,890	29,344
Payroll taxes	72,566	12,132	1,699	86,397	99,460
Total salaries and related expenses	<u>1,113,742</u>	<u>183,347</u>	<u>23,910</u>	<u>1,320,999</u>	<u>1,472,191</u>
Bank fees	19,731	1,038	-	20,769	22,522
Bad debts	29	2	-	31	-
Computer expenses	26,372	1,388	-	27,760	49,597
Depreciation	170,985	8,999	-	179,984	184,512
Dues and subscriptions	5,726	301	-	6,027	5,606
Educational expenses	1,363	-	-	1,363	12,864
Farm expenses	3,474	111	-	3,585	2,481
Food and other	28,459	-	-	28,459	35,725
Fundraising - consultant and other	-	-	186,632	186,632	439,656
Gas and oil	20,808	-	-	20,808	22,711
Gifts to clients	2,540	-	-	2,540	3,001
Insurance	78,228	4,117	-	82,345	67,719
Interest	46,223	2,433	-	48,656	50,377
Kitchen expenses	11,147	131	-	11,278	16,778
Garbage disposal	22,179	1,167	-	23,346	27,073
Miscellaneous	17,818	-	-	17,818	25,001
Office supplies	11,410	601	-	12,011	20,028
Postage	59,343	3,123	-	62,466	27,871
Professional fees	-	15,600	-	15,600	15,900
Promotional expenses	25,047	-	-	25,047	33,123
Repairs and maintenance - facilities	42,240	2,249	-	44,489	53,526
Repairs and maintenance - vehicles	24,833	1,307	-	26,140	32,212
Repairs and maintenance - other	20,489	1,078	-	21,567	23,372
Staff expenses	3,485	475	-	3,960	1,525
Taxes and licenses	2,144	27	-	2,171	2,528
Travel	2,032	-	-	2,032	4,811
Utilities	156,201	8,221	-	164,422	148,811
	<u>1,916,048</u>	<u>235,715</u>	<u>210,542</u>	<u>2,362,305</u>	<u>2,801,521</u>
Non-cash distributions (See Note 3):					
Thrift store - merchandise	607,361	-	-	607,361	661,867
Distributions of food and clothing	613,333	-	-	613,333	318,277
Contributed services	6,605	-	-	6,605	1,050
	<u>1,227,299</u>	<u>-</u>	<u>-</u>	<u>1,227,299</u>	<u>981,194</u>
Total functional expenses	<u>\$ 3,143,347</u>	<u>235,715</u>	<u>210,542</u>	<u>\$ 3,589,604</u>	<u>\$ 3,782,715</u>
Functional expenses by percent	<u>87%</u>	<u>7%</u>	<u>6%</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, 2017
with Comparative Totals for 2016

6

	2017	2016
Cash flows from operating activities:		
Cash received from donations	\$ 1,662,967	\$ 1,982,831
Store sales and other receipts	709,631	801,454
Interest and dividend income	3	2
Cash paid to suppliers and employees	(2,071,408)	(2,579,626)
Interest paid	(48,656)	(50,377)
Net cash provided (used) by operating activities	252,537	154,284
 Cash flows from investing activities:		
Purchases of property and equipment	(15,567)	(16,612)
Proceeds from sale of property and equipment	(1,025)	500
Net cash provided (used) by investing activities	(16,592)	(16,112)
 Cash flows from financing activities:		
Payments to reduce long-term debt	(158,406)	(129,465)
Payments to reduce line of credit	(60,000)	-
Proceeds from line of credit	-	35,000
Net cash provided (used) by financing activities	(218,406)	(94,465)
Net increase (decrease) in cash	17,539	43,707
Cash at beginning of period	72,555	28,848
Cash at end of period	\$ 90,094	\$ 72,555

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, 2017
with Comparative Totals for 2016

7

	2017	2016
<u>Reconciliation of Decrease in Net Assets</u>		
<u>to Net Cash Provided (Used) by Operating Activities:</u>		
Increase (decrease) in net assets	\$ (3,448)	\$ 150,019
Adjustments:		
Depreciation	179,984	184,512
Loss (gain) on sale of property and equipment	1,025	(500)
Donated building improvements	-	(80,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	8,906	(92,495)
Sales tax receivable	(868)	7,066
Other current assets	598	(2,285)
Increase (decrease) in:		
Accounts payable	13,950	(4,999)
Accrued payroll	20,457	(95)
Accrued employee benefits and taxes	(284)	(3,195)
Sales tax payable	97	(3,744)
Unearned revenue	32,120	-
	32,120	-
Net cash provided (used) by operating activities	\$ 252,537	\$ 154,284

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2017

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, 2017

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, 2017 and 2016 was \$179,984 and \$184,512, 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, 2017 and 2016 was \$9,372 and \$10,580, 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 2014 - 2017 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, 2017

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 \$6,605 for the year ended June 30, 2017 and \$81,050 for the year ended June 30, 2016, which included building improvements valued at \$70,000 and land improvements valued at \$10,000.

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, 2017 or 2016, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2017

3. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in kind and contributed services revenue of \$1,218,393 and \$1,153,689 for the years ended June 30, 2017 and 2016, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to \$1,227,299 and \$981,194 for the years ended June 30, 2017 and 2016, respectively.

Inventory activity for the years ended June 30, 2017 and 2016 was as follows:

	<u>Thrift Store Operations</u>	<u>Food and Clothing</u>	<u>Totals</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	52,120	144,417	196,537
In-kind donations	603,375	608,413	1,211,788
Retail value of inventory, scrap and vehicles sold to customers	(607,361)	-	(607,361)
Distributions of food and clothing	<u>-</u>	<u>(613,333)</u>	<u>(613,333)</u>
Inventory at June 30, 2017	<u>\$ 48,134</u>	<u>139,497</u>	<u>\$ 187,631</u>

Non-cash program expense distributions presented in the statement of functional expenses for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Thrift Store	\$ 607,361	\$ 661,867
Donated food and clothing distribution	613,333	318,277
Contributed services	<u>6,605</u>	<u>1,050</u>
	<u>\$ 1,227,299</u>	<u>\$ 981,194</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2017

4. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2017 and June 30, 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 536,645	\$ 536,645
Building	5,869,516	5,859,730
Machinery and equipment	229,850	233,903
Furniture and fixtures	183,532	183,532
Automotive and transportation equipment	<u>153,024</u>	<u>145,668</u>
Property and equipment	6,972,567	6,959,478
Less, accumulated depreciation	<u>(2,106,483)</u>	<u>(1,928,977)</u>
Property and equipment, net	<u>\$ 4,866,084</u>	<u>\$ 5,030,501</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, 5 percent as of June 30, 2017. 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. There was not a balance outstanding for the year ended June 30, 2017. The balance outstanding under this agreement amounted to \$60,000 for the year ended June 30, 2016.

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, 2017 and 2016, the Mission's contributions to the 403(b) plan were \$10,877 and \$10,607, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2017

7. NET ASSET CLASSIFICATION

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

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 7,388	\$ 7,468
Christmas Gifts	220	-
Thrift Store Air Conditioner	4,200	-
CSAC Training Grant	18,578	-
Flex Spending Account	521	-
Food Purchases	-	1,202
	<u>\$ 30,907</u>	<u>\$ 8,670</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, 2017 and June 30, 2016, consisted of the following:

	<u>2017</u>	<u>2016</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.	\$ 990,897	\$ 1,144,171
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>13,018</u>	<u>18,150</u>
Total long-term debt	1,003,915	1,162,321
Less: current portion of long-term debt	<u>152,760</u>	<u>147,043</u>
Total long-term debt, less current portion	<u>\$ 851,155</u>	<u>\$ 1,015,278</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2017

Scheduled principal maturities of long-term debt as of June 30, 2017 are as follows:

Year ending June 30,

2018	152,760
2019	158,700
2020	161,582
2021	165,513
2022	171,999
Thereafter	<u>193,361</u>
Total	<u>\$ 1,003,915</u>

10. RECLASSIFICATION

Certain amounts in the June 30, 2016 financial statements have been reclassified for comparative purposes to conform with the presentation in the June 30, 2017 financial statements.

11. SUBSEQUENT EVENTS

On July 20, 2017 a break in occurred in which a fire was intentionally set inside the thrift store. The fire along with water from the sprinkler system caused enough damage that the thrift store had to close operations to repair the damages. The Mission loses \$1,500 to \$2,000 every day that the thrift store is closed. The thrift store reopened on October 28, 2017. The Mission is expecting to recoup approximately \$450,000 for repairs and operating losses from insurance proceeds.

The Organization has performed an evaluation of subsequent events through November 13, 2017, which is the date the financial statements were available to be issued.

12. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958). This update is effective for fiscal periods beginning after December 15, 2017. Under the new standard, there will be two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) instead of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted). The new standard requires all not-for-profit entities to provide expenses and an analysis of expenses by both nature and function, and disclosure of the methods used to allocate those expenses among the various functions. ASU 2016-14 requires qualitative disclosure about how liquidity is managed including dates to meet the cash needs for the upcoming year. Investment returns will be presented net of all related external and direct internal expenses and the existing disclosure of the netted amounts is no longer required. The standard continues to allow not-for-profit entities to present the net amount of operating cash flows using either the direct or indirect method of reporting, while no longer requiring the indirect reconciliation if the direct method is used.