



Winston-Salem Rescue Mission, Inc.

Financial Statements

June 30, 2023

WINSTON-SALEM RESCUE MISSION, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Winston-Salem Rescue Mission, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, Winston-Salem Rescue Mission, Inc. adopted ASC 842 (Leases) for the period ended June 30, 2023 with a cumulative effect adjustment to beginning net assets at July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Winston-Salem Rescue Mission, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Winston-Salem Rescue Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Winston-Salem Rescue Mission, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Winston-Salem Rescue Mission, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deena Ashe, P.A.

Greensboro, North Carolina
November 13, 2023

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2023 with
Comparative Totals for 2022

	<u>2023</u>	<u>(Restated) 2022</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,908,466	\$ 1,855,060
Inventory		
Thrift store inventory	12,698	9,353
Furniture and appliance inventory	52,052	41,971
Food and groceries inventory	105,637	121,046
Accounts receivable	4,383	3,582
Sales tax receivable	11,204	10,125
Prepaid expenses	570	-
	<u>2,095,010</u>	<u>2,041,137</u>
Restricted deposits:		
Cash - donor designated	23,942	20,704
Cash - client savings accounts	-	2,940
	<u>23,942</u>	<u>23,644</u>
Noncurrent assets:		
Property and equipment, at cost, net of accumulated depreciation of \$2,766,753 and \$2,602,251	4,366,532	4,358,549
Financing right-of-use assets	159,488	71,233
	<u>6,644,972</u>	<u>6,494,563</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 44,941	\$ 26,996
Accrued salaries and wages	68,401	48,614
Accrued employee benefits and taxes	754	334
Sales tax payable	4,525	4,237
Deferred revenue	9,620	2,000
Current portion of financing lease	41,997	26,679
	<u>170,238</u>	<u>108,860</u>
Deposit liabilities:		
Client savings accounts	-	2,940
Noncurrent liabilities:		
Noncurrent portion of financing lease	123,688	51,764
	<u>123,688</u>	<u>51,764</u>
Total noncurrent liabilities:	<u>123,688</u>	<u>51,764</u>
Total liabilities	<u>293,926</u>	<u>163,564</u>
Net assets:		
Net assets without donor restrictions	6,327,104	6,310,295
Net assets with donor restrictions	23,942	20,704
	<u>6,351,046</u>	<u>6,330,999</u>
Total net assets	<u>6,351,046</u>	<u>6,330,999</u>
Total liabilities and net assets	<u>\$ 6,644,972</u>	<u>\$ 6,494,563</u>

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

Winston-Salem Rescue Mission, Inc.
Statement of Activities
Year Ended June 30, 2023 with
Comparative Totals for 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	(Restated) 2022 Totals
Revenues, Gains and Other Support:				
Contributions	\$ 2,498,893	31,220	\$ 2,530,113	\$ 3,095,193
Donations in-kind (See Note 6)	1,487,019	-	1,487,019	1,019,976
Contributed services	975	-	975	366
Sales to public:				
Sale of donated inventory	776,999	-	776,999	615,362
Sale of donated automobiles	-	-	-	520
Total sales to public	<u>776,999</u>	<u>-</u>	<u>776,999</u>	<u>615,882</u>
Fundraising events (net of expenses)	61,977	-	61,977	108,149
Program fees	82,294	-	82,294	49,607
Other income	11,981	-	11,981	7,314
Gain(loss) on insurance proceeds, net of restoration expenses	-	-	-	(10,796)
Net assets released from restriction	<u>27,982</u>	<u>(27,982)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>4,948,120</u>	 <u>3,238</u>	 <u>4,951,358</u>	 <u>4,885,691</u>
Functional Expenses:				
Program services	3,746,907	-	3,746,907	3,015,534
Management and general	392,242	-	392,242	345,300
Fundraising	<u>792,162</u>	<u>-</u>	<u>792,162</u>	<u>594,945</u>
 Total functional expenses	 <u>4,931,311</u>	 <u>-</u>	 <u>4,931,311</u>	 <u>3,955,779</u>
 Change in net assets	 <u>16,809</u>	 <u>3,238</u>	 <u>20,047</u>	 <u>929,912</u>
Net assets at beginning of year	6,310,295	20,704	6,330,999	5,408,068
Change in basis of accounting (See Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,981)</u>
Net assets at beginning of year (restated)	<u>6,310,295</u>	<u>20,704</u>	<u>6,330,999</u>	<u>6,330,999</u>
Net assets at end of year	<u>\$ 6,327,104</u>	<u>23,942</u>	<u>\$ 6,351,046</u>	<u>\$ 6,330,999</u>

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

Winston-Salem Rescue Mission, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023 with
Comparative Totals for 2022

	Program Services	Management and General	Fundraising	2023 Totals	(Restated) 2022 Totals
Salaries and related expenses:					
Salaries	\$ 1,247,329	295,104	117,918	\$ 1,660,351	\$ 1,443,119
Employee benefits	35,106	2,681	9,021	46,808	35,229
Payroll taxes	92,724	29,461	1,447	123,632	102,960
Total salaries and related expenses	<u>1,375,159</u>	<u>327,246</u>	<u>128,386</u>	<u>1,830,791</u>	<u>1,581,308</u>
Other cash expenses:					
Bank fees	33,395	-	-	33,395	31,490
Bad debts	54	-	-	54	104
Client expenses - other	12,511	-	-	12,511	5,505
Computer expenses	46,606	2,453	-	49,059	37,958
Depreciation and amortization	210,348	11,071	-	221,419	199,470
Dues and subscriptions	7,915	417	-	8,332	9,552
Educational expenses	11,338	-	-	11,338	2,217
Food	32,743	-	-	32,743	58,632
Fundraising - consultant and other	-	-	663,776	663,776	486,315
Garbage disposal	24,153	-	-	24,153	23,890
Gas and oil	25,023	-	-	25,023	21,754
Insurance	131,387	6,915	-	138,302	130,137
Interest	2,216	-	-	2,216	5,795
Kitchen expenses	11,939	-	-	11,939	14,172
Office supplies	8,998	474	-	9,472	9,440
Postage	11,943	629	-	12,572	16,136
Professional fees	-	14,975	-	14,975	14,750
Promotional expenses	23,162	-	-	23,162	17,460
Repairs and maintenance - facilities	64,130	19,530	-	83,660	54,834
Repairs and maintenance - other	36,201	-	-	36,201	20,770
Repairs and maintenance - vehicles	31,732	-	-	31,732	12,492
Staff expenses	2,756	919	-	3,675	4,297
Store expenses	12,936	-	-	12,936	16,933
Taxes and licenses	1,582	16	-	1,598	1,591
Travel/Meals	1,714	571	-	2,285	3,384
Utilities	133,486	7,026	-	140,512	143,637
Vehicle rentals and leases	3,503	-	-	3,503	2,422
Total other cash expenses	<u>2,256,930</u>	<u>392,242</u>	<u>792,162</u>	<u>3,441,334</u>	<u>2,926,445</u>
Non-cash distributions (See Note 6):					
Thrift store - merchandise	776,999	-	-	776,999	615,882
Distributions of food and clothing	712,003	-	-	712,003	413,086
Contributed services	975	-	-	975	366
Total non-cash distributions	<u>1,489,977</u>	<u>-</u>	<u>-</u>	<u>1,489,977</u>	<u>1,029,334</u>
Total functional expenses	<u>\$ 3,746,907</u>	<u>392,242</u>	<u>792,162</u>	<u>\$ 4,931,311</u>	<u>\$ 3,955,779</u>
Functional expenses by percent	<u>76%</u>	<u>8%</u>	<u>16%</u>	<u>100%</u>	

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

Winston-Salem Rescue Mission, Inc.
Statement of Cash Flows
Year Ended June 30, 2023 with
Comparative Totals for 2022

	<u>2023</u>	<u>(Restated) 2022</u>
Cash flows from operating activities:		
Cash received from donations	\$ 2,530,110	\$ 3,095,196
Store sales and other receipts	919,694	803,422
Interest and dividend income	11,109	2,042
Interest paid	(2,216)	(5,795)
Cash paid to suppliers and employees	<u>(3,174,579)</u>	<u>(2,763,988)</u>
Net cash provided (used) by operating activities	<u>284,118</u>	<u>1,130,877</u>
Cash flows from investing activities:		
Purchases of property and equipment	(203,733)	(129,078)
Net casualty claims	<u>-</u>	<u>(10,796)</u>
Net cash provided (used) by investing activities	<u>(203,733)</u>	<u>(139,874)</u>
Cash flows from financing activities:		
Repayments of long-term debt	-	(359,475)
Repayment of financing lease liability	<u>(26,681)</u>	<u>(23,979)</u>
Net cash provided (used) by financing activities	<u>(26,681)</u>	<u>(383,454)</u>
Net increase (decrease) in cash	53,704	607,549
Cash, cash equivalents, and restricted cash - beginning of period	<u>1,878,704</u>	<u>1,271,155</u>
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 1,932,408</u>	<u>\$ 1,878,704</u>
<u>Reconciliation of Change in Net Assets to</u>		
<u>Net Cash Provided (Used) by Operating Activities:</u>		
Increase (decrease) in net assets	\$ 20,047	\$ 929,912
Adjustments:		
Depreciation and amortization	221,419	199,470
Net casualty claims	-	10,796
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	1,983	8,992
Accounts receivable	(802)	(12)
Sales tax receivable	(1,079)	472
Prepaid expenses	(570)	24,054
Increase (decrease) in:		
Accounts payable	17,945	(37,692)
Accrued payroll	19,787	3,667
Accrued employee benefits and taxes	420	296
Resident savings deposits	(2,940)	(12,442)
Deferred revenue	7,620	2,000
Sales tax payable	<u>288</u>	<u>1,364</u>
Net cash provided (used) by operating activities	<u>\$ 284,118</u>	<u>\$ 1,130,877</u>

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2023

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Winston-Salem Rescue Mission, Inc. (the "Organization" or "Mission") was formed on June 19, 1967 under the laws of the state of North Carolina. The Organization is a nonprofit, 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, and is a host site of the Samaritan Clinic, who provides medical and dental clinics free of charge to other needy individuals in the Triad area.

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 store. The sale of vehicles and merchandise sold in the thrift store provides income for the Mission as well as work therapy opportunities for the residents.

Basis of Accounting

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

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 Organization 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, 2023 and 2022 was \$195,752 and \$175,262, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2023

Contributions

Contributions are reported as without donor restrictions unless the donor has restricted the donation to a particular use. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. If the donor has imposed two or more restrictions on a contribution, the expiration of those restrictions shall be recognized in the period in which the last remaining restriction has expired.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the years ended June 30, 2023 and 2022 was \$22,600 and \$17,140, 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 2020 - 2022 are subject to examination by the IRS, generally for three years after they were filed.

The Organization accounts for income taxes in accordance with Accounting Standard Codification ("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 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 and meet the criterion for recognition under ASC Topic 958 have been reflected in the financial statements at their fair value. Volunteer services were valued at \$975 and \$366 for the year ended June 30, 2023 and 2022, 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.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2023

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 (Note 6).

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identifies assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for the year beginning July 1, 2022 and all prior periods presented have been restated (Note 11).

2. CONCENTRATION OF RISK

The Organization maintains in high quality financial institutions deposits that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amounts at June 30, 2023 and 2022 were \$1,181,008 and \$1,378,315, respectively. The Mission believes that credit risk to cash is remote and mitigated by the use of nationally recognized banking institutions.

3. AVAILABILITY AND LIQUIDITY

The Organization's goal is to maintain financial assets to meet 60 days of operating expenses.

Financial assets at June 30,	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,932,408	\$ 1,878,704
Accounts receivable	<u>15,587</u>	<u>13,707</u>
Total financial assets	1,947,995	1,892,411
Less:		
Restricted deposits	-	(2,940)
Amounts with donor restrictions	<u>(23,942)</u>	<u>(20,704)</u>
Financial assets available to meet general, short-term cash needs	<u>\$ 1,924,053</u>	<u>\$ 1,868,767</u>

4. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Restricted cash amounts are restricted from general corporate use and consist of client savings. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the amounts shown in the statement of cash flows.

June 30,	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,908,466	\$ 1,855,060
Restricted deposits	<u>23,942</u>	<u>23,644</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 1,932,408</u>	<u>\$ 1,878,704</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2023

5. 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.

6. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in-kind and contributed services revenue of \$1,487,994 and \$1,020,342 for the years ended June 30, 2023 and 2022, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to \$1,489,977 and \$1,029,334 for the years ended June 30, 2023 and 2022, respectively.

Inventory activity for the years ended June 30, 2023 and 2022 was as follows:

	<u>Thrift Store Operations</u>	<u>Food and Clothing</u>	<u>Totals</u>
Inventory at June 30, 2021	\$ 50,686	130,676	\$ 181,362
In-kind donations	616,520	403,456	1,019,976
Retail value of inventory, scrap and vehicles sold to customers	(615,882)	-	(615,882)
Distributions of food and clothing	-	(413,086)	(413,086)
Inventory at June 30, 2022	51,324	121,046	172,370
In-kind donations	790,425	696,594	1,487,019
Retail value of inventory, scrap and vehicles sold to customers	(776,999)	-	(776,999)
Distributions of food and clothing	-	(712,003)	(712,003)
Inventory at June 30, 2023	<u>\$ 64,750</u>	<u>105,637</u>	<u>\$ 170,387</u>

Non-cash program expense distributions presented in the statement of functional expenses for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Thrift store	\$ 776,999	\$ 615,882
Donated food and clothing distribution	712,003	413,086
Contributed services	<u>975</u>	<u>366</u>
	<u>\$ 1,489,977</u>	<u>\$ 1,029,334</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2023

7. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 536,645	\$ 536,645
Building	5,990,346	5,897,219
Machinery and equipment	260,276	215,050
Furniture and fixtures	224,730	190,598
Automotive and transportation equipment	<u>121,288</u>	<u>121,288</u>
Property and equipment	7,133,285	6,960,800
Less, accumulated depreciation	<u>(2,766,753)</u>	<u>(2,602,251)</u>
Property and equipment, net	<u>\$ 4,366,532</u>	<u>\$ 4,358,549</u>

8. LEASE COMMITMENTS

The Organization has five leases that were adapted according to ASC 842. These leases, which will expire between 2025 and 2030, call for fixed payments, annual increases, plus upkeep and/or improvement requirements. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. Certain leases include a right to extend the lease upon mutual agreement of both parties. If it is reasonably likely the extension will be exercised, the extended term is included in the measurement of the lease assets and liabilities. Amounts not a part of the main asset being leased, but included in the leasing contract, are excluded from the calculation of the present value of the lease.

The Organization includes right-of-use assets in non-current assets and lease liabilities in current and non-current liabilities on the statement of financial position. At June 30, 2023, the weighted-average remaining lease term was 5 years and 3 months, and the discount rate determined to be used to calculate the present value of the lease liability was 3%. Carrying values for the leases are as follows:

	<u>2023</u>	<u>2022</u>
Finance lease agreement of vehicle for 7 years with Salem Leasing Corporation commencing in May of 2018 and ending in May of 2025. Fixed monthly rental charges amount to \$991, due on the first of the month. The lessor reserves the right to adjust payments based on CPI index.	\$ 23,065	\$ 34,623
Finance lease agreement of vehicle for 7 years with Salem Leasing Corporation commencing in May of 2018 and ending in May of 2025. Fixed monthly rental charges amount to \$991, due on the first of the month. The lessor reserves the right to adjust payments based on CPI index.	23,065	34,623
Finance lease agreement of copier for 5 years with Sharp Business Systems commencing in July of 2021 and ending in July of 2026. Monthly payments amount to \$205.	7,001	9,197

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2023

	<u>2023</u>	<u>2022</u>
Finance lease agreement of postage machine lasting 5 years with Quadient Leasing commencing in January of 2023, and ending in January of 2028. Monthly payments amount to \$525.	8,353	-
Finance lease agreement of vehicle for 7 years with Salem Leasing Corporation commencing in June of 2023 and ending in June of 2030. Fixed monthly rental charges amount to \$1,377, due on the first of the month. The lessor reserves the right to adjust payments based on CPI index.	<u>104,201</u>	<u>-</u>
Total lease liability	165,685	78,443
Less: current maturities	<u>(41,997)</u>	<u>(26,679)</u>
Noncurrent portion	<u>\$ 123,688</u>	<u>\$ 51,764</u>

The future minimum cash payments for the finance leases are:

2024	\$	46,398
2025		43,232
2026		21,066
2027		18,623
2028		17,047
Thereafter		<u>33,044</u>
Total remaining payments on lease liabilities		179,410
Less: amount of lease payments representing interest		<u>(13,725)</u>
Present value of future minimum lease payments		165,685
Less: current liabilities under leases		<u>(41,997)</u>
Long-term lease liabilities	\$	<u>123,688</u>

9. 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, 2023 and 2022, the Mission's contributions to the 403(b) plan were \$17,885 and \$13,913, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
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10. NET ASSET CLASSIFICATION

Net assets with donor restrictions were available for the following purposes:

June 30,	<u>2023</u>	<u>2022</u>
Scholarships	\$ 5,041	\$ 6,102
Donor appreciation	263	376
Food pantry	4,134	-
Holiday food boxes	655	-
NLC chapel AV upgrade	3,695	150
NLC kitchen/dining room carpet	-	634
Mobile food pantry	-	3,485
Fire rehousing appeal funds	9,570	9,570
Resident recreation	384	-
Bottled water	200	-
Board meetings	-	387
	<u> </u>	<u> </u>
	<u>\$ 23,942</u>	<u>\$ 20,704</u>

11. RECLASSIFICATION AND PRIOR PERIOD ADJUSTMENTS

Certain accounts relating to the prior year have been restated to conform to the current year presentation. ASC 842 requires the lessee to capitalize the leased property as a right-of-use asset and record the present value of remaining lease payments as lease liability on the statement of financial position. The cumulative effect on beginning net assets at July 1, 2021 is a decrease of \$6,981. The cumulative change in net assets for year ending June 30, 2022 decreased by \$229 due to the adoption of ASC 842 and the reclass and restatement of certain related expense amounts.

Certain amounts in the June 30, 2022 financial statements have been reclassified for comparative purposes to conform with the presentation in the June 30, 2023 financial statements.

12. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through November 13, 2023 which is the date the financial statements were available to be issued.