

CHARLOTTE RESCUE MISSION

Financial Statements for the Years
Ended June 30, 2015 and 2014 and
Independent Auditors' Report



GreerWalker



GreerWalker

INDEPENDENT AUDITORS' REPORT

Board of Directors of the Charlotte Rescue Mission:

We have audited the accompanying financial statements of the Charlotte Rescue Mission (the "Organization") which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 generally accepted accounting principles 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 generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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 Organization'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 Organization'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 the Charlotte Rescue Mission as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

GreerWalker LLP

October 27, 2015

GreerWalker LLP – Certified Public Accountants

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CHARLOTTE RESCUE MISSION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash	\$ 1,713,852	\$ 2,417,695
Pledges receivable, net	245,649	182,254
Inventory	72,931	58,005
Prepaid expenses and other	140,889	99,903
Current portion of beneficial interest in trust	25,000	-
Total current assets	<u>2,198,321</u>	<u>2,757,857</u>
OTHER ASSETS:		
Pledges receivable, net	159,697	279,293
Beneficial interest in trust	229,922	-
Other	10,876	10,876
Total other assets	<u>400,495</u>	<u>290,169</u>
PROPERTY AND EQUIPMENT, NET	<u>9,072,281</u>	<u>9,368,356</u>
TOTAL	<u>\$ 11,671,097</u>	<u>\$ 12,416,382</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 49,042	\$ 35,453
Accrued salaries and other expenses	270,314	291,893
Total current liabilities	<u>319,356</u>	<u>327,346</u>
GRANT PAYABLE	<u>1,000,000</u>	<u>1,000,000</u>
NET ASSETS:		
Unrestricted	9,421,892	10,260,438
Temporarily restricted	929,849	828,598
Total net assets	<u>10,351,741</u>	<u>11,089,036</u>
TOTAL	<u>\$ 11,671,097</u>	<u>\$ 12,416,382</u>

See notes to financial statements.

CHARLOTTE RESCUE MISSION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:						
Contributions and grants	\$ 4,072,853	\$ 500,139	\$ 4,572,992	\$ 3,494,488	\$ 818,188	\$ 4,312,676
Capital campaign contributions	-	5,118	5,118	-	507,053	507,053
Beneficial interest in trust	-	279,922	279,922	-	-	-
Gifts-in-kind	525,084	-	525,084	704,793	-	704,793
Program aftercare income	88,746	-	88,746	74,502	-	74,502
Special event income net of related expenses of \$29,458 and \$16,711 as of June 30, 2015 and 2014, respectively	118,108	-	118,108	114,272	-	114,272
Miscellaneous income	21,185	-	21,185	35,381	-	35,381
Reclassifications:						
Contributions and grants released from time or purpose restrictions	- 683,928	- (683,928)	- -	- 1,473,796	- (1,473,796)	- -
Total revenue, support and reclassifications	5,509,904	101,251	5,611,155	5,897,232	(148,555)	5,748,677
EXPENSES:						
Program services	4,778,291	-	4,778,291	4,279,503	-	4,279,503
Supporting services:						
General and administrative	562,388	-	562,388	733,412	-	733,412
Fundraising	1,007,771	-	1,007,771	857,418	-	857,418
Total support services	1,570,159	-	1,570,159	1,590,830	-	1,590,830
Total expenses	6,348,450	-	6,348,450	5,870,333	-	5,870,333
CHANGE IN NET ASSETS	(838,546)	101,251	(737,295)	26,899	(148,555)	(121,656)
NET ASSETS, BEGINNING OF YEAR	10,260,438	828,598	11,089,036	10,233,539	977,153	11,210,692
NET ASSETS, END OF YEAR	\$ 9,421,892	\$ 929,849	\$10,351,741	\$10,260,438	\$ 828,598	\$11,089,036

See notes to financial statements.

CHARLOTTE RESCUE MISSION

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries	\$2,546,141	\$ 347,244	\$ 410,277	\$3,303,662	\$2,159,185	\$ 490,052	\$ 367,827	\$ 3,017,064
Payroll taxes	196,183	25,150	32,017	253,350	167,121	35,629	28,418	231,168
Benefits	471,610	30,832	73,461	575,903	370,157	70,960	68,516	509,633
Advertising	33,028	-	65,326	98,354	1,680	-	72,560	74,240
Promotional (direct mail)	-	-	314,555	314,555	-	-	206,243	206,243
Food	439,682	-	-	439,682	466,680	-	-	466,680
Occupancy	233,164	5,747	2,957	241,868	205,533	6,222	2,697	214,452
Supplies and maintenance	226,751	22,741	37,331	286,823	219,208	21,622	32,140	272,970
Contracted services	30,454	40,863	7,271	78,588	104,016	29,579	16,078	149,673
Postage	566	1,743	21,885	24,194	782	1,937	25,669	28,388
Depreciation and amortization	436,702	12,216	14,106	463,024	401,002	11,809	13,439	426,250
Communications	49,108	3,717	6,593	59,418	47,958	3,400	5,670	57,028
Auto and travel	20,464	2,784	2,793	26,041	24,534	2,094	2,720	29,348
Insurance	77,442	7,064	6,016	90,522	77,782	6,877	3,325	87,984
Bank charges		39,293	2,882	42,175	-	34,863	1,400	36,263
Dues and education	16,290	17,038	9,377	42,705	22,869	12,662	8,468	43,999
Miscellaneous	706	5,956	924	7,586	10,996	5,706	2,248	18,950
Total expenses	\$4,778,291	\$ 562,388	\$ 1,007,771	\$6,348,450	\$4,279,503	\$ 733,412	\$ 857,418	\$ 5,870,333

See notes to financial statements.

CHARLOTTE RESCUE MISSION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (737,295)	\$ (121,656)
Adjustments to reconcile change in net assets to net cash from operating activities:		
In-kind contributions of equipment and facility services	(42,128)	(201,144)
Change in allowance for bad debt and present value of pledges receivable	(25,279)	(5,412)
Depreciation and amortization	463,024	426,250
Loss on disposal of assets	-	10,617
Changes in operating assets and liabilities:		
Pledges receivable	81,480	186,589
Inventory	(14,926)	34,217
Prepaid expenses and other	(40,986)	72,316
Beneficial interest in trust	(254,922)	-
Accounts payable	13,589	(17,432)
Accrued salaries and other expenses	(21,579)	58,365
Net cash provided by (applied to) operating activities	<u>(579,022)</u>	<u>442,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(124,821)	(377,377)
Proceeds from certificate of deposit	-	252,040
Net cash applied to investing activities	<u>(124,821)</u>	<u>(125,337)</u>
NET INCREASE (DECREASE) IN CASH	(703,843)	317,373
CASH, BEGINNING OF YEAR	<u>2,417,695</u>	<u>2,100,322</u>
CASH, END OF YEAR	<u>\$ 1,713,852</u>	<u>\$ 2,417,695</u>

See notes to financial statements.

CHARLOTTE RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Charlotte Rescue Mission (the "Organization") is a North Carolina not-for-profit corporation that was formed in 1938. The ministry of the Organization is to provide an intensive Christian residential chemical dependence recovery and rehabilitation program for homeless men and women or those about to become homeless. The primary programs of the Organization are as follows:

Rebound - the Organization provides a 90-day Christian residential recovery program, utilizing the principles of Alcoholics Anonymous, which has more than 130 men in residence at its West First Street location.

Dove's Nest - the Organization provides a 120-day residential program for women and children at their 120-bed facility located on West Boulevard. This program uses the same principles as the men's Rebound program.

Holiday Meals - the Organization provides hot nourishing meals at Easter, Thanksgiving, and Christmas to the community to include not only the homeless but also families, children and senior citizens.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily restricted net assets - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash - The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Contributions - The Organization may receive contributions of cash or other assets which it reports as temporarily restricted support if such contributions are received with donor restrictions that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted support and as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Pledges Receivable - Pledges receivable are recognized when a donor makes a promise that is, in substance, unconditional to give cash or property to the Organization. Promises to give that are restricted by the donor whose restrictions are met in the same reporting period are reported as temporarily restricted support and as net assets released from restrictions. All other donor-restricted net assets are reported in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give are recorded at their estimated fair value and are substantially all due in the next five years. For pledges received during the years ended June 30, 2015 and 2014, the discount rate used was 2.00%. Amortization of the discount is included in contribution revenue. Conditional promises to give, if any, are not included as support until the conditions are substantially met.

Inventory - Inventory consists of purchased and donated food and program supplies. Purchased inventory is stated at the lower of cost or market. Cost is determined using the average cost method. Donated food inventory is stated at wholesale value, or \$1.72 per pound. Donated program supplies inventory is stated at estimated fair value. Inventory cost is expensed when goods are distributed. Management periodically evaluates the net realizable value of all inventories to ensure that any unusable inventory is expensed.

Property and Equipment - Property and equipment are recorded at cost if purchased. Donations of property are recorded at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets of \$500 or more and with useful lives greater than one year are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Advertising - The Organization's policy is to expense the cost of advertising as it is incurred. Total advertising costs were \$98,354 and \$74,240 for the years ended June 30, 2015 and 2014, respectively.

Income Taxes - The Organization is a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. As of June 30, 2015, the tax years ended June 30, 2012 through 2015 were open for potential examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of June 30, 2015 and 2014.

Donated equipment and facility services - Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations with regard to the amount of time the long-lived assets must be maintained, the Organization releases the net assets related to donated or acquired long-lived assets once they are placed in service. Donated facility services are recognized for those services that improve or enhance property and equipment or for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donor. Donated equipment and facility services are recorded at fair value at the date of the gift. The Organization received donations of equipment and facilities services in the amounts of \$42,128 and \$201,144 for the years ended June 30, 2015 and 2014, respectively, which are recorded as support on the accompanying financial statements.

Donated food, clothing and supplies - The Organization receives and distributes large amounts of clothing and other goods directly to those in need. The Organization also receives donations of food and supplies which are used in its operations. Donated food, clothing and supplies are recorded at fair value at the date of the gift. These goods are recorded as support in the accompanying financial statements in the amount of \$409,638 and \$438,145 for the years ended June 30, 2015 and 2014, respectively.

Donated Professional Services - Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management and general, and fundraising efforts. The value of this contributed time does not meet the criteria for recognition of donated services and, accordingly, is not reflected as support in the accompanying financial statements. Donated professional services are only recognized for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. These services are recorded as support in the accompanying financial statements in the amount of \$73,318 and \$65,504 for the years ended June 30, 2015 and 2014, respectively.

Reclassifications - Certain amounts in the 2014 financial statements have been reclassified to conform with 2015 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Subsequent Events - In preparing its financial statements, the Organization has evaluated subsequent events through October 27, 2015, which is the date the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Pledges outstanding consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Due in less than one year	\$ 245,649	\$ 182,254
Due in 1 to 5 years	<u>227,125</u>	<u>372,000</u>
Subtotal	472,774	554,254
Less discount to net present value	6,443	13,702
Less allowance for uncollectible pledges	<u>60,985</u>	<u>79,005</u>
Pledges receivable, net	405,346	461,547
Current portion, net	<u>245,649</u>	<u>182,254</u>
Long-term, net	<u>\$ 159,697</u>	<u>\$ 279,293</u>

3. BENEFICIAL INTEREST IN TRUST

During 2015, the estate of an unrelated third party bequeathed a portion of its funds to the Organization. The estate was liquidated and is now being held in trust and administered by the Foundation For The Carolinas. Distributions from the trust will be made to the Organization in annual increments of \$25,000 until the funds are depleted.

The following table sets forth a summary of changes in the beneficial interest in trust for the year ended June 30, 2015:

Balance, beginning of year	\$ -
Contributions	279,922
Receipts	<u>(25,000)</u>
Balance, end of year	254,922
Current portion	<u>25,000</u>
Long-term	<u>\$ 229,922</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 325,100	\$ 325,100
Land improvements	984,341	980,987
Buildings	7,725,393	7,685,261
Furniture and equipment	1,473,791	1,646,812
Vehicles	173,415	146,526
Computer equipment	428,666	170,220
Construction in process	<u>8,300</u>	<u>-</u>
Subtotal	11,119,006	10,954,906
Less accumulated depreciation	<u>2,046,725</u>	<u>1,586,550</u>
Total, net	<u>\$ 9,072,281</u>	<u>\$ 9,368,356</u>

5. GRANT PAYABLE

During year ended June 30, 2013, the Organization was the recipient of a \$1,000,000 grant from the Federal Home Loan Affordable Housing Program to offset costs associated with the Dove's Nest construction project. Among other non-financial covenants, the grant requires the Organization to utilize the Dove's Nest facility for a minimum of 15 years. If the facility is sold before a period of 15 years, the Organization is required to repay the grant in full. As of the years ended June 30, 2015 and 2014, the Organization has a liability recorded in the amount of \$1,000,000 associated with the grant. Upon satisfaction of all required grant conditions, the Organization will recognize the cash proceeds associated with the grant as revenue.

6. LINE OF CREDIT

As of the year ended June 30, 2015, the Organization obtained a revolving line of credit agreement with a bank for an amount up to \$500,000. Payments of interest on any outstanding borrowings are due monthly with an interest rate of prime (3.25% at June 30, 2015) plus 1%, with a floor rate of 5%. There were no outstanding borrowings on the line of credit as of the year ended June 30, 2015. The line of credit expires in June 2016.

7. NET ASSETS

Temporarily restricted net assets available for future periods or purposes consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Purpose restrictions:		
General projects	\$ 159,545	\$ 88,011
Dove's Nest operations	-	239,779
Other	<u>110,036</u>	<u>39,261</u>
Total	<u>269,581</u>	<u>367,051</u>
Time restrictions:		
Dove's Nest operations	352,928	432,445
Beneficial interest in trust	254,922	-
Matching gifts	30,718	10,511
Other	<u>21,700</u>	<u>18,591</u>
Total	<u>660,268</u>	<u>461,547</u>
Total temporarily restricted net assets	<u>\$ 929,849</u>	<u>\$ 828,598</u>

Net assets are released from donor restrictions by satisfaction of time and/or purpose. Restrictions released during the years ended June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Program expenses	\$ 334,514	\$ 779,422
Dove's Nest project and operations	324,414	694,374
Beneficial interest in trust	<u>25,000</u>	<u>-</u>
Total assets released from time and/or purpose restrictions	<u>\$ 683,928</u>	<u>\$ 1,473,796</u>

8. LEASE COMMITMENTS

The Organization leases certain equipment and an automobile under long-term operating agreements from unrelated third parties. Rental expenses incurred by the Organization was approximately \$11,000 for the year ended June 30, 2015. The Organization did not have any long-term operating agreements as of the year ended June 30, 2014.

The approximate future minimum rental payments under these agreements are as follows:

For the year ending June 30:	
2016	\$ 12,000
2017	12,000
2018	6,000
2019	4,000
2020	4,000
Thereafter	<u>1,000</u>
Total	<u>\$ 39,000</u>

9. EMPLOYEE RETIREMENT PLAN

The Organization maintains a qualified 403(b) retirement plan (the "Plan") in which all eligible employees may participate. The Plan allows for the Organization to make discretionary contributions on behalf of all participants. Employees become 100% vested immediately upon their effective date of participation. During each of the years ended June 30, 2015 and 2014, the Organization made matching contributions equal to 100% of the first 5% of each participant's pre-tax deferral contribution. Expenses for the years ended June 30, 2015 and 2014 were approximately \$77,000 and \$70,000, respectively.

10. CHARLOTTE RESCUE MISSION ENDOWMENT

During the year ended June 30, 2015, the Organization established the Charlotte Rescue Mission Endowment (the "Endowment"). The Endowment is classified by the Internal Revenue Service as a Type I supporting organization that is operated, supervised or controlled by a publicly supported organization. The Endowment is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and all contributions received are tax deductible to the donor. The mission of the Endowment is to receive, hold and manage funds intended for the benefit of the Organization. The Endowment may make periodic charitable contributions to the Organization as designated by the Organization's board of directors. Amounts earned on invested funds will be available for unrestricted use by the Organization and the Endowment. As of the year ended June 30, 2015, the Endowment had no activity.
