



WILMINGTON AREA  
REBUILDING MINISTRY, INC.  
(WARM)

Audited Financial Statements

for the year ended

December 31, 2017

(with comparative totals for 2016)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wilmington Area Rebuilding Ministry, Inc. (WARM)  
Wilmington, North Carolina

We have audited the accompanying financial statements of Wilmington Area Rebuilding Ministry, Inc. (WARM), a nonprofit organization, which comprise the statement of financial position as of December 31, 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.

### ***Auditor's 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 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 auditor's judgment, including the assessment of the risk 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 WARM as of December 31, 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.**

### ***Prior Year Summarized Comparative Information***

We have previously audited WARM's 2016 financial statements and our report dated April 25, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bearman CPA PC*

Wilmington, North Carolina  
April 17, 2018

Wilmington Area Rebuilding Ministry, Inc.

**Statement of Financial Position**

as of December 31, 2017

(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and Cash Equivalents (Note 3c)	\$ 100,352	\$ 148,685
Accounts Receivable (Note 4)	218,251	155,793
Property & Equipment, net (Note 5)	<u>287,370</u>	<u>259,209</u>
<b>Total Assets</b>	<b><u>\$ 605,973</u></b>	<b><u>\$ 563,687</u></b>
<b>Liabilities &amp; Net Assets</b>		
Liabilities		
Accounts Payable & Accrued Liabilities (Note 6)	\$ 61,699	\$ 55,351
Note Payable (Note 8)	<u>198,268</u>	<u>185,871</u>
<b>Total Liabilities</b>	<b><u>259,967</u></b>	<b><u>241,222</u></b>
Net Assets		
Unrestricted (Note 3b)	242,174	127,317
Temporarily Restricted (Note 3b and 9)	103,832	195,148
Permanently Restricted (Note 3b)	<u>-</u>	<u>-</u>
<b>Total Net Assets</b>	<b><u>346,006</u></b>	<b><u>322,465</u></b>
<b>Total Liabilities &amp; Net Assets</b>	<b><u>\$ 605,973</u></b>	<b><u>\$ 563,687</u></b>

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

Wilmington Area Rebuilding Ministry, Inc.

**Statement of Activities**

for the year ended December 31, 2017

(with comparative totals for 2016)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2017 Total</b>	2016 Total
<b>Revenue</b>				
Grants and Contributions (Note 4)	\$ 343,034	\$ 68,600	<b>\$ 411,634</b>	\$ 573,977
Government Grants & Contracts (Note 4)	179,481	200,000	<b>379,481</b>	321,878
Special Events, net (Note 3e)	77,379	-	<b>77,379</b>	93,263
Net Assets Released from Restriction (Note 9)	359,916	(359,916)	-	-
<b>Total Revenue</b>	<b>959,810</b>	<b>(91,316)</b>	<b>868,494</b>	989,118
<b>Expense</b>				
Program (Note 3e)	716,194	-	<b>716,194</b>	838,142
Management & General (Note 3e)	39,508	-	<b>39,508</b>	34,120
Fundraising (Note 3e)	89,251	-	<b>89,251</b>	54,628
<b>Total Expense</b>	<b>844,953</b>	-	<b>844,953</b>	926,890
<b>Change in Net Assets</b>	<b>114,857</b>	<b>(91,316)</b>	<b>23,541</b>	62,228
Net Assets Beginning of Year	127,317	195,148	322,465	260,237
<b>Net Assets End of Year</b>	<b>\$ 242,174</b>	<b>\$ 103,832</b>	<b>\$ 346,006</b>	\$ 322,465

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

Wilmington Area Rebuilding Ministry, Inc.

**Statement of Functional Expenses**

for the year ended December 31, 2017

(with comparative totals for 2016)

<b>Expense Type</b>	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2017 Total</b>	<b>2016 Total</b>
Wages and Benefits	\$ 372,372	\$ 22,565	\$ 64,104	<b>\$ 459,041</b>	\$ 375,290
Contracted Services	2,144	6,600	2,387	<b>11,131</b>	18,640
Home Repair Projects	251,893	-	-	<b>251,893</b>	430,575
General Operations	39,365	6,890	17,774	<b>64,029</b>	44,398
Occupancy	12,284	1,228	1,843	<b>15,355</b>	20,877
Insurance	18,260	1,107	3,143	<b>22,510</b>	22,696
Depreciation (Note 5)	19,876	1,118	-	<b>20,994</b>	14,414
<b>Total Expense</b>	<b>\$ 716,194</b>	<b>\$ 39,508</b>	<b>\$ 89,251</b>	<b>\$ 844,953</b>	<b>\$ 926,890</b>

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

Wilmington Area Rebuilding Ministry, Inc.

**Statement of Cash Flows**

for the year ended December 31, 2017

(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activity</b>		
Change in Net Assets	\$ 23,541	62,228
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	20,994	14,414
Changes in certain assets and liabilities:		
Accounts Receivable	(62,458)	50,483
Accounts Payable & Accrued Expenses	<u>6,348</u>	<u>3,378</u>
Net Cash Provided by Operating Activities	<u>(11,575)</u>	<u>130,503</u>
<b>Cash Flows from Investing Activities</b>		
Equipment Purchases	<u>(49,155)</u>	<u>(40,617)</u>
Net Cash Used in Operating Activities	<u>(49,155)</u>	<u>(40,617)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Debt Financing	30,101	25,125
Payments on Line of Credit	-	(19,486)
Payments on Long-term Debt	<u>(17,704)</u>	<u>(12,820)</u>
Net Cash Provided by (Used in) Financing Activities	<u>12,397</u>	<u>(7,181)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(48,333)</b>	<b>82,705</b>
Cash and Cash Equivalents, beginning of year	<u>148,685</u>	<u>65,980</u>
<b>Cash and Cash Equivalents, end of year</b>	<b><u>\$ 100,352</u></b>	<b><u>\$ 148,685</u></b>

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

Wilmington Area Rebuilding Ministry, Inc.

**Notes to Financial Statements**

December 31, 2017

**1. Organization**

Wilmington Area Rebuilding Ministry, Inc. (WARM) is a North Carolina nonprofit organization incorporated in March 1998. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are tax deductible.

**2. Mission**

WARM unites people of compassion to rebuild homes and restore hope for their low-income neighbors, many of whom are elderly or disabled, enabling them to live safely and independently in their own homes and communities. WARM serves Brunswick, New Hanover, and Pender Counties of North Carolina. In 2017, WARM volunteers performed home repair projects for 140 households.

**3. Summary of Significant Accounting Policies**

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

***3a. Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

***3b. Net Asset Classes***

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of an organization's activities by net asset class. The financial statements report net assets and changes in net assets in three classes that are based upon the existence of restrictions on use that are placed by its donors, as follows:

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Wilmington Area Rebuilding Ministry, Inc.

**Notes to Financial Statements**

December 31, 2017

*Unrestricted net assets* are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Temporarily restricted net assets* are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets (*also see Note 9, Restrictions on Net Assets*).

*Permanently restricted net assets* result from contributions to the organization that must be maintained permanently. Typically, the future investment returns on such assets may be used in full or in part for the operations of the organization. *As of December 31, 2017, WARM held no permanently restricted net assets.*

**3c. Cash and Cash Equivalents**

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

**3d. Contributions, Grant and Contracts**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously). Also see *Note 9, Restrictions on Net Assets*.

Contributed services are only recorded if they meet the requirements for recognition (such as if they require specialized skills). These requirements are outlined in FASB ASC 958-605-25-16, "Contributed Services." While the many members of WARM's volunteer workforce are a critical element of its operating success, their services do not meet the criteria for recognition and are, therefore, not reflected in the financial statements.

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Wilmington Area Rebuilding Ministry, Inc.

**Notes to Financial Statements**

December 31, 2017

***3e. Expense Allocations***

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis (such as staff members' time). The Statement of Functional Expenses presents these same expenses by natural classification (e.g. wages, contracted services).

*Management and General* activities include the functions necessary to provide support for the organization's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

*Fundraising* activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

WARM sponsors occasional special events to raise awareness of its mission and to raise funds for the organization. In 2017, WARM earned \$103,950 of special events revenue and incurred \$26,571 of expense in connection with these events. The disbursements are considered primarily fundraising costs and are therefore netted against revenue. The net revenue amount of \$77,379 appears on the Statement of Activities as "Special Events, net."

***3f. Property & Equipment***

WARM capitalizes property and equipment costing more than \$2,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. Also see *Note 5, Property & Equipment*.

***3g. Prior Year Information***

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (unrestricted, temporarily restricted, and permanently restricted). Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year then ended, from which the summarized information is derived. Certain prior year amounts have been reclassified for consistency with the current period presentation.

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Wilmington Area Rebuilding Ministry, Inc.

**Notes to Financial Statements**

December 31, 2017

**4. Grants & Contributions**

WARM receives its funding from a wide base of support that includes many individuals, businesses, churches, civic organizations and foundations. During 2017, it received \$411,634 of private grants and contributions. Additionally, it recorded \$379,481 of government grants and contracts. WARM was awarded grants of \$200,000 from the State-appropriated North Carolina Housing Trust Funds through the North Carolina Housing Finance Agency (NCHFA). The funds are to be used by WARM to provide urgent repairs to homes in New Hanover, Brunswick and Pender counties during 2017 and 2018. Also see *Note 9, Restrictions on Net Assets*. WARM was also awarded grants of \$175,000 and \$150,000 from the State-appropriated Essential Single-Family Rehabilitation Loan Pool through the NCHFA to provide essential single-family home rehabilitation and disaster recovery. These grants are reimbursement-based and during the year WARM recognized revenues of \$44,337 and \$81,601 related to these grants, respectively. The organization also received \$53,543 of grant funding from local governments.

Accounts Receivable

The accounts receivable balance of \$218,251 consists of the following:

NCHFA Grant Awards	\$ 186,956
Other Grant-Funded Reimbursement Requests	11,043
Pledges and Other Receivables	<u>20,252</u>
	\$ 218,251

Management believes the amounts to be fully collectible and so no provision has been made for uncollectible amounts.

**5. Property and Equipment**

The property and equipment balance of \$287,370 is stated at cost and consists of the following:

Land	\$ 89,105
Building	117,094
Improvements	12,314
Construction in Process	16,056
Machinery & Equipment	<u>113,106</u>
	\$ 347,675
Less accumulated depreciation	<u>(60,305)</u>
Total	\$ 287,370

Depreciation is computed on a straight-line basis over the useful lives of the assets (5 years for equipment, 39 years for buildings and improvements). Depreciation expense totaled \$20,994 and appears as a line item on the Statement of Functional Expenses.

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Wilmington Area Rebuilding Ministry, Inc.

**Notes to Financial Statements**

December 31, 2017

**6. Accounts Payable and Accrued Liabilities**

The accounts payable and accrued liabilities balance of \$61,699 consists of operational accounts payable of \$22,941 and payroll and related liabilities of \$38,758.

**7. Line of Credit**

The organization maintains a line of credit with First Citizens Bank to assist with seasonal cash flow needs. The line has a credit limit of \$30,000. Interest on any outstanding balance is computed at 8% per annum. There was no outstanding balance as of December 31, 2017.

**8. Long-Term Debt**

In November 2015, WARM obtained \$174,250 of financing from South State Bank to assist in the purchase of the property serving as administrative and program space for the organization. As of December 31, 2017, the loan had a principal balance of \$155,406, due in monthly installments of \$1,259, including interest at a fixed rate of 3.6% per annum. The loan is secured by the property at 5058 Wrightsville Avenue, Wilmington, NC. Interest expense for the year ended December 31, 2017 totaled \$5,854. The loan matures in November 2025, when a final balloon payment of \$69,658 is due.

In March 2016, WARM obtained \$25,125 from First Citizens Bank for the purchase of a truck. As of December 31, 2017, the loan had a principal balance of \$15,815, due in monthly installments of \$503, including interest at a fixed rate of 3.4% per annum. The loan is secured by the underlying asset. Interest expense for the year ended December 31, 2017 totaled \$642. The loan matures in September 2020.

In April 2017, WARM obtained \$30,101 from First Citizens Bank for the purchase of a truck. As of December 31, 2017, the loan had a principal balance of \$27,047, due in monthly installments of \$461, including interest at a fixed rate of 3.24% per annum. The loan is secured by the underlying asset. Interest expense for the year ended December 31, 2017 totaled \$637. The loan matures in April 2023.

Future scheduled maturities of long-term debt are as follows:

FY 2018	\$ 19,988
FY 2019	20,692
FY 2020	19,890
FY 2021	15,986
FY 2022	16,552
Thereafter	<u>105,160</u>
Total	<u>\$ 198,268</u>

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Wilmington Area Rebuilding Ministry, Inc.

**Notes to Financial Statements**

December 31, 2017

**9. Restrictions on Net Assets**

The restrictions on WARM's net assets at the end of 2017 are temporary and relate to grants revenue recorded but not expended prior to year-end. During 2017, as described in Note 3b and Note 4, contributions with restrictions more specific than for the general mission of the organization were initially recorded as temporarily restricted. They were released from restriction once the restrictions were met. In 2017, \$359,916 of grants were received and spent in this fashion and appear on the Statement of Activities as the revenue line item "Net Assets Released from Restriction."

**10. Income Taxes**

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and WARM believes it is not subject to tax examinations for fiscal years prior to 2014.

**11. Related Party**

In August 2015, WARM's board of directors created Hope Comes Home, a North Carolina nonprofit corporation, to help low-income home owners age-in-place safely and independently. WARM intends that the new corporation expand service to home owners in Southeastern North Carolina – particularly in Brunswick County.

Hope Comes Home is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are tax deductible.

The organization had no activity during 2017. The corporation's initial board of directors consists of three WARM board members and WARM's executive director.

**12. Subsequent Events**

WARM has evaluated events that have occurred subsequent to the statement of financial position date (December 31, 2017) and through the date that the Independent Auditor's Report was available to be issued (April 17, 2018). No events have occurred during that period that would require adjustments to the audited financial statements or disclosures in these notes.

See Independent Auditor's Report