

HAYWOOD CHRISTIAN MINISTRY, INC.

AUDIT OF

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

HAYWOOD CHRISTIAN MINISTRY, INC.

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Haywood Christian Ministry, Inc.
Waynesville, North Carolina

I have audited the accompanying financial statements of Haywood Christian Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haywood Christian Ministry Inc. as of December 31, 2021, 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.

Sheila Gahagan, CPA

Sheila Gahagan, CPA
July 5, 2022

Haywood Christian Ministry, Inc.
Statement of Financial Position
December 31, 2021

	2021
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 434,537
Sales Tax Refund	7,343
Total current assets	441,880
Non-current Assets:	
Property and Equipment, net	1,254,782
Investments - Community Foundation of WNC	1,315,520
Total non-current assets	2,570,302
Total Assets	\$ 3,012,182
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 3,339
Sales Tax Payable	1,683
Compensated Absences	6,638
Copier Lease Payable	1,387
Total Current Liabilities	13,047
 NET ASSETS	
With Donor Restrictions	57,397
Without Donor Restrictions	2,941,738
Total Net Assets	2,999,135
Total Liabilities and Net Assets	\$ 3,012,182

See accompanying notes and independent accountant's review report.

Haywood Christian Ministry, Inc.
Statement of Activities
For the Year-Ended December 31, 2021

Support	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:			
Contributions (Churches, Clubs and Individuals)	\$ 232,881	\$ 57,397	\$ 290,278
Grants	133,570	-	133,570
Total Public Support	366,451	57,397	423,848
Revenue:			
Fundraising	123,925	-	123,925
Investment Income	125,042	-	125,042
Thrift Shop Sales	346,637	-	346,637
Loss on Disposal of Fixed Assets	(2,483)	-	(2,483)
Other Income	43,116	-	43,116
Total Revenue	636,237	-	636,237
Net assets released from restrictions			
Satisfaction of purpose restrictions	-	-	-
Total Public Support and Revenue	1,002,688	57,397	1,060,085
 Expenses			
Program Services	681,625	-	681,625
Management and general	143,287	-	143,287
Fundraising Expenses	28,049	-	28,049
Total Expenses	852,961	-	852,961
Change in net assets	149,727	57,397	207,124
Net Assets, beginning of year	2,792,011	-	2,792,011
Net Assets, end of year	\$ 2,941,738	\$ 57,397	\$ 2,999,135

See accompanying notes and independent accountant's review report.

Haywood Christian Ministry, Inc.
Statement of Cash Flows
For the Year-Ended December 31, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 207,124
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	66,974
Non-cash unrealized gain	(53,652)
Changes in assets and liabilities:	
Sales Tax Refund	(570)
Accrued Expenses	(18,784)
Accounts Payable	863
Compensated Absences	6,638
Sales Tax Payable	414
	209,007
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(61,399)
Capital Lease Payments	(2,377)
Purchase of Investments	(49,740)
NET CASH (USED) PROVIDED IN INVESTING ACTIVITIES	(113,516)
 CHANGE IN CASH	 95,491
Cash, beginning of year	339,046
Cash, end of year	\$ 434,537

See accompanying notes and independent accountant's review report.

Haywood Christian Minstry, Inc.
Statement of Functional Expenses
For the Year-Ended December 31, 2021

	Program Services	Management	Fundraising	Total 2021
Automobile Expenses	\$ 11,697	-	-	\$ 11,697
Bank Service Charges & Credit Card Fees	-	18,276	-	18,276
Repairs and Maintenance	21,999	5,598	-	27,597
Insurance	28,245	1,892	-	30,137
Licenses & Permits	-	3,847	-	3,847
Office Expense	-	2,133	-	2,133
Supplies	13,510	-	-	13,510
Postage/Shipping	-	1,039	-	1,039
Professional Fees	-	487	-	487
Utilities	49,690	9,787	-	59,477
Client Services	152,013	-	-	152,013
Fundraising Expenses	-	-	28,049	28,049
Advertising	-	450	-	450
Membership/Dues/Subscriptions	-	1,069	-	1,069
Staff and Volunteer Recognition	1,371	-	-	1,371
Travel	-	156	-	156
Miscellaneous	10,314	922	-	11,236
Salaries and Wages	274,089	82,885	-	356,974
Payroll Taxes	23,337	6,631	-	29,968
Other Payroll Benefits	16,034	3,208	-	19,242
Retirement Expenses	15,231	2,028	-	17,259
Depreciation	64,095	2,879	-	66,974
Total	\$ 681,625	\$ 143,287	\$ 28,049	\$ 852,961

See accompanying notes and independent accountant's review report.
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Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Haywood Christian Ministry, Inc. (the Ministry) is a nonprofit North Carolina organization organized on December 23, 1970.

The purpose of Haywood Christian Ministry, Inc. is to provide a coordination of care and outreach in the name of Jesus Christ to persons in crisis situations. This ministry is a clearing-house for outreach concerns that are shared by the churches of Haywood County. This organization seeks to meet appropriate needs of families and individuals. It seeks to offer spiritual and material assistance, to the extent that resources are available through the cooperating churches and volunteers.

The Ministry is supported primarily through contributions, grants, and sales from its thrift shop.

Basis of Accounting

The accounting records are maintained on the full accrual basis of accounting in which revenues are recognized when earned and expenditures are recorded when incurred, in accordance with generally accepted accounting principles.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification.) As required by the Non-Profit Entities Topic of the Codification, Haywood Christian Ministry, Inc. reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions consist of resources available for the various programs and administration of Haywood Christian Ministry, Inc. which have not been restricted by a donor or other outside party. Net assets with donor restrictions consist of donor-restricted contributions. Donor restrictions may be either temporary or perpetual in nature. Amounts restricted by the donor, grantor, or other outside party for a particular purpose are reported as donor-restricted support when received and, if not used in accordance with the donor restriction before year end, are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restriction.”

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments that are readily convertible into cash within ninety (90) days of purchase.

Investments

Investments with readily determined fair values are reflected at fair market value. Donated securities are recorded at the fair value on the date of the gift. To adjust the carrying value, unrealized gains and losses are reported in the statement of activities as a component of investment income and loss.

Inventories (not included on Statement of Financial Position)

Inventories are not included in the Statement of Financial Position since fair values cannot be determined to meet the requirements to be reported in the financial statements.

Property and Equipment

The Ministry capitalized all property and equipment acquisitions in excess of \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor-restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Ministry reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives, ranging from three to thirty-nine years.

Public Support and Revenue

Grants and other contributions of cash and other assets are recorded as donor-restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Ministry chooses to show donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions. The Ministry also chooses to show all investment earnings as revenue without donor restrictions unless restricted by donor stipulations.

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions. Investment income from unrestricted investments are reported as revenues without donor restrictions.

Donated Services

Haywood Christian Ministry, Inc. pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Haywood Christian Ministry, Inc. with specific assistance programs, campaign solicitations, and various committee assignments. Most of these services during the current period do not meet GAAP requirements for recording and are therefore not reflected in the financial statements.

In-Kind Contributions and Donated Materials

In-kind contributions, such as donated materials and supplies and specialized services, are included in the statement of activities within public support at their estimated fair market value, when there is an objective basis available to measure the value, on the date of donation and either capitalized, as it related to equipment, or shown in the representative functional expense category to which the gift relates.

Expense Allocation

The costs of providing 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. Expenses are allocated among program, management, and fundraising expenses using statistical methods.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Ministry is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies as an organization eligible to receive deductible charitable contributions. Therefore, Haywood Christian Ministry, Inc. is generally exempt from federal income taxes. Income that is not related to tax-exempt purposes, less applicable discounts, is subject to federal and state corporate

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

income taxes. Haywood Christina Ministry, Inc. did not have any net unrelated business income for the year ended December 31, 2021.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Ministry may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated the Ministry's tax positions and concluded that the Ministry had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

Date of Management's Review

Subsequent events have been evaluated through July 5, 2022, the date the financial statements were available to be issued.

NOTE B – PROPERTY AND EQUIPMENT

The following is a summary of furniture, equipment and leasehold improvements as of December 31, 2021:

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
Land	\$ 448,241	-	-	\$ 448,241
Non depreciable assets	448,241	-	-	448,241
Building/Improvements	1,045,920	-	-	1,045,920
Automobiles	41,181	59,676	-	100,857
Furniture and fixtures	188,551	1,723	31,949	158,325
Depreciable assets	1,275,652	61,399	31,949	1,305,102
Accumulated depreciation	(461,053)	(66,974)	29,466	(498,561)
Total	\$1,262,840	(5,575)	2,483	1,254,782

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

NOTE C – INVESTMENTS

Investments at December 31, 2021 are summarized as follows:

Investment Type	<u>Fair Value</u>
Other Securities:	
Community Foundation of WNC	\$ 1,315,520
 Total Investments	 <u>\$ 1,315,520</u>

FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

The Ministry follows the provisions of the Fair Value Measurement Topic of the FASB Accounting Standards Codification for financial assets and liabilities. This Topic applies to all financial assets and liabilities that are being measured and reported on a fair value basis, establishes a framework for measuring fair value of assets and liabilities and expands disclosures about the fair value measurements. The Fair Value Measurement Topic of the FASB Accounting Standards Codification requires that fair value measurements be classified and disclosed in one of the following categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges for identical investments as of the reporting date.

Level 2: Financial instruments valued using pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through use of models or other valuation methodologies. The Ministry's Level 2 financial instruments include investment assets held by other organizations.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair values. The inputs into the determination of fair value require significant judgment or estimation.

In determining the appropriate levels, the Ministry performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic of the FASB Accounting Standards Codification.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

characteristics particular to the security. To the extent that valuation is based on models or inputs less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Ministry's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The following summarizes the valuation of the Ministry's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, based on the level of input utilized.

	12/31/2021	Level 1	Level 2	Level 3
Investments:				
Assets held by other organizations:				
Community Foundation of WNC (a)	\$ 1,315,520	\$ -	\$ -	\$ -

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

The Community Foundation of Western North Carolina, Inc. - At December 31, 2021, the Ministry's investments include \$1,315,520, which represents the Ministry's equity portion in The Community Foundation of Western North Carolina, Inc. (CFWNC). CFWNC is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating. Asset and ownership interests of CFWNC are determined on a market unit valuation basis each month. Investment risks associated with CFWNC are included in their audited financial statements, which may be obtained from The Community Foundation of Western North Carolina, Inc. 4 Vanderbilt Park Drive, Suite 300, Asheville, North Carolina 28803.

NOTE D – CASH AND INVESTMENTS CONCENTRATIONS

At December 31, 2021, Haywood Christian Ministry, Inc. had a carrying balance of \$434,046 and bank balances of \$411,456. The Federal Deposit Insurance Corporation

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

(FDIC) provides coverage of \$250,000 at each bank for substantially all depositor accounts. Of the bank balance, \$250,000 is covered by FDIC insurance. The remaining bank balance of \$161,456 is uninsured. The Ministry has \$491 of cash on hand.

At December 31, 2021, Haywood Christian Ministry, Inc has a fair market value of \$1,315,520 in investments. These investments are uninsured.

NOTE E – DONATED SERVICES AND MATERIALS

Amounts for donated materials and services that do not have an objective basis available to measure the value of such services are not reflected in the financial statements. Many individuals volunteer their time, food, clothing and perform a variety of tasks that assist in the programs, but these services did not meet the criteria for recognition as contributed services. However, management uses a consistent method to value donated services and materials. Donated services and materials for 2021 is summarized as follows:

<u>Description</u>	<u>Estimated Amounts</u>
	<u>2021</u>
Clothing	\$ 250,560
Food	1,002,640
Volunteers Time	<u>251,332</u>
Total	\$ 1,504,532

NOTE F – INVESTMENT INCOME

Investment income is made up of the following at December 31, 2021:

Interest	\$ 9,859
Realized Gains	61,531
Unrealized Gains	<u>53,652</u>
Total	\$125,042

NOTE G –THRIFT SHOP SALES

Thrift shop sales are reported net of sales tax expense. Thrift shop sales is comprised of the following for the year ended December 31, 2021:

Total Collected	\$370,490
Less Sales Tax	<u>(23,853)</u>
Total	\$346,637

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

NOTE H – COPIER LEASE PAYABLE

The Ministry purchased a copier through a capital lease in July 2017. Monthly payments are \$198. The capital lease and copier were both reported at \$11,885. Since the Ministry receives reimbursement for sales tax, they did not include sales tax in the value of the asset or capital lease. The remaining liability for this lease as of December 31, 2021 is:

Fiscal Year End	Amount
2022	<u>1,387</u>
Total	\$1,387

The amortization of the leased copier is included in the depreciation of fixed assets.

NOTE I – NET ASSETS

Net assets with donor restrictions are for the following purposes or periods.

Subject to expenditure for specified purposes:

Heat Assistance	\$ 1,125
Flood Assistance	3,447
Thrift Store Improvements	50,000
Assistance to Veterans	<u>2,825</u>
Total net assets with donor restrictions	<u>\$ 57,397</u>

Net assets without donor restrictions is as follows:

Undesignated	\$ 1,626,218
Board-designated – Investment account	<u>1,315,520</u>
Total net assets without donor restrictions	<u>\$ 2,941,738</u>

NOTE J – GOVERNING BOARD DESIGNATIONS

The Ministry's governing board has designated, from net assets without donor restrictions of \$2,941,738, net assets for the following purposes as of December 31, 2021.

Investment to be treated as an Endowment	\$ 1,025,000
Earnings from Endowment, as determined by Board direction	290,520

NOTE K – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed

Haywood Christian Ministry, Inc.

Notes to Financial Statements

December 31, 2021

restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for the investment fund that could be drawn upon if the governing board approves that action.

Financial assets, at year-end	\$ 1,757,400
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restriction	(57,397)
Board designations:	
Investment to be treated as an endowment	(1,025,000)
Endowment earnings, designated based upon Board direction	(290,520)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 384,483</u>

NOTE L – AVAILABILITY OF FINANCIAL ASSETS

The Ministry's financial assets available within one year of the balance sheet date for general expenditure are as follows.

Cash and cash equivalents	\$ 434,537
Sales tax refund	7,343
Investment fund	1,315,520

NOTE M – ENDOWMENT

The Ministry's endowment consists of an investment account with the Community Foundation of WNC (see Note C). The endowment consists of funds designated by the Board of Directors to function as endowments and restricted contributions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Ministry's disclosure of its endowment net asset composition by type of fund as of December 31, 2021, follows:

	Without Donor Restrictions
Board designated endowment funds	\$1,025,000
Unrestricted earnings	290,520

The Ministry does not have a formal investment policy or an endowment spending policy. The Board has designated funds with the intention of creating an endowment account to create investment earnings. The Board plans to develop a spending policy to use the investment income for Board determined purposes.

Haywood Christian Ministry, Inc.
Notes to Financial Statements
December 31, 2021

Changes in Endowment Net Assets for the Year Ended December 31, 2021

	Without Donor Restrictions
Endowment net assets, beginning of the year	\$1,207,266
Investment return	125,042
Investment expenses	(41,788)
Other changes:	
Transfers to create board-designated endowment funds	<u>25,000</u>
Endowment net assets, end of year	<u>\$1,315,520</u>