

**INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION
SHELBY, NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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SUZAN H. SLUDER, CPA PA

Suzan H. Sluder, CPA PA

Audit, Tax and Accounting

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Inter-Faith Alliance Corporation
DBA Cleveland County Rescue Mission
Shelby, North Carolina

Opinion

I have audited the accompanying financial statements of Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission (a non-profit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditors Responsibilities for the audit of the Financial Statements section of my report. I am required to be independent of Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission and to meet my other ethical responsibilities in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

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 Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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, including omissions, 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, I:

- 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 Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Suzan H. Sluder, CPA PA

Arden, North Carolina
June 23, 2023

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION

Statement of Financial Position

December 31, 2022

Assets

Current assets:

Cash and equivalents	\$	232,009
Other receivables		3,136
Prepaid expenses		3,214
Total current assets		238,359

Property and equipment, net		80,925
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Total assets	\$	319,284
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Liabilities and Net Assets

Current liabilities:

Current maturities of long-term notes payable	\$	12,950
Accounts payable		13,858
Accrued liabilities		12,645
Total current liabilities		39,453

Long-term notes payable, less current maturities		19,073
Due to Western Carolina Rescue Ministries, Inc.		424,607
Total liabilities		483,133

Net Assets:

Without donor restrictions:

Undesignated		(212,751)
Investment in property and equipment		48,902
Total net assets without donor restrictions		(163,849)

With donor restrictions

Total net assets		(163,849)
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Total liabilities and net assets	\$	319,284
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The accompanying notes are an integral part of these financial statements.

**INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION**

Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>
Public support and other revenues:	
Contributions	\$ 188,350
Grants	445,450
Fundraising	13,652
Event income	63,178
Rental income	32,600
Other income	111
Total public support and other revenues	<u>743,341</u>
Expenses:	
Program services	513,765
Supporting services	<u>226,265</u>
Total expenses	<u>740,030</u>
Increase (decrease) in net assets	3,311
Net assets, beginning of year, restated	<u>(167,160)</u>
Net assets, end of year	<u><u>\$ (163,849)</u></u>

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

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management and General	Fund- Raising	Total Supporting Services	Total
Wages and salaries	\$ 284,361	\$ 37,915	\$ 56,872	\$ 94,787	\$ 379,148
Payroll taxes	21,773	2,903	4,355	7,258	29,031
Employee benefits	53,090	7,079	10,618	17,697	70,787
Total salaries and related expenses	359,224	47,897	71,845	119,742	478,966
Building maintenance	32,618	3,625		3,625	36,243
Lease management expense	27,000	3,600	5,400	9,000	36,000
Office expenses	2,351	5,879	3,527	9,406	11,757
Utilities	41,688	11,911	5,955	17,866	59,554
Vehicle expense	6,152	1,153	385	1,538	7,690
Development			9,717	9,717	9,717
Telephone	2,636	753	377	1,130	3,766
Kitchen expense	4,770				4,770
Cleaning expense	3,708				3,708
Insurance	15,702	1,745		1,745	17,447
Professional fees	1,740	3,480	580	4,060	5,800
Program expenses	6,826				6,826
Ministry projects	3,198				3,198
Fundraising expenses			44,701	44,701	44,701
Other		3,051		3,051	3,051
Total expenses before interest and depreciation	507,613	83,094	142,487	225,581	733,194
Interest	1,165	129		129	1,294
Depreciation	4,987	555		555	5,542
Total interest and depreciation	6,152	684		684	6,836
Total functional expenses	\$ 513,765	\$ 83,778	\$ 142,487	\$ 226,265	\$ 740,030

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

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION

Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ 3,311
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	5,542
Changes in working capital - sources (uses):	
Other receivables	878
Prepaid expenss	901
Accounts payable	3,163
Accrued liabilities	2,167
Net cash provided from (used for) operating activities	<u>15,962</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(36,879)</u>
Net cash provided from (used for) investing activities	<u>(36,879)</u>
Cash flows from financing activities:	
Due to Western Carolina Rescue Ministries, Inc.	253,690
Repayment of amounts borrowed	<u>(12,508)</u>
Net cash provided from (used for) financing activities	<u>241,182</u>
Increase (decrease) in cash and equivalents	220,265
Beginning cash and cash equivalents	<u>11,744</u>
Ending cash and cash equivalents	<u>\$ 232,009</u>
Supplemental disclosures of cash flow information:	
Cash paid for interest	\$ 1,294

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

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION.
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Organization

Inter-Faith Alliance Corporation DBA Cleveland County Rescue Mission. (Ministry) is a nonprofit corporation created for the purpose of providing food, shelter and Christian ministry to the poor and homeless in Shelby and Cleveland County, North Carolina. It is funded primarily by contributions from the general public, churches and businesses. By providing access to basic needs as well as opportunities for restoration, personal growth and development, the Ministry enables people to begin their journey out of crisis and self-sufficiency.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles that are generally accepted in the United States of America. Consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Income Taxes

The Ministry was established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. During June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 (FIN 48), “Accounting for Uncertainty in Income Taxes”, and clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity’s financial statements and prescribes a threshold of more-likely-than not for recognition of tax positions taken or expected to be taken on the tax return. The Ministry’s policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support with the Internal Revenue Code and Regulations, Revenue Rulings , court decision and other evidence. As of December 31, 2022 the Ministry had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Recognition of Donor Restrictions

Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When restrictions expire, temporarily restricted and permanently restricted net assets are released to unrestricted net assets.

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION.
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Net Assets

Board-Designated Net Assets

Net assets without donor restrictions are subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other use.

Donor-Imposed Restrictions on Net Assets

A donor stipulation that specifies a use for a contributed asset that is more specific than board limits resulting from the following:

1. The nature of the not-for-profit entity
2. The environment in which it operates
3. The purpose specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual, for example, stipulating that resources be invested in perpetuity. Laws may extend those limits to investment returns from and other enhancements (diminishments) of those resources, thus extending donor-imposed restrictions (donors include other types of contributors, such as grantors).

Donated Services and Materials

A substantial number of volunteers have donated a significant amount of time to the Ministry's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills will be recognized as support. No amounts have been reflected in the accompanying financial statements for contributed services since the requirements for recognition were not met. Donated materials are reflected as in-kind contributions in the accompanying financial statements at their estimated fair market value at date of receipt.

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION.
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Equivalents

The Ministry considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Acquisitions of equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at date of receipt. It is the Ministry's policy to capitalize expenditures or donations of these items with values or costs in excess of \$1,000. Items of lesser amounts are expensed. Depreciation is computed annually using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to operating expense as incurred. Cost of renewals and betterments, which materially extend the useful lives of the assets or increase their productivity, are capitalized.

Advertising

Advertising costs are expensed as incurred. There was no advertising expense for the year ended December 31, 2022.

Functional Expenses

The Ministry allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated between program and supporting services based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Ministry.

Use of Estimates

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

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION.
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Ministry discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the

Ministry discloses both the change and the reasons for the change. The Ministry estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Ministry using available market information and appropriate valuation methodologies.

The Ministry’s financial instruments consist of cash, accounts payable, accrued expenses and long term debt.

Note 2 – Property and Equipment

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2022</u>
At cost:	
Land	\$ 4,200
Building and building improvements	75,209
Equipment, furniture and fixtures	58,214
Vehicles	24,092
	<u>161,715</u>
Less accumulated depreciation	<u>80,790</u>
<u>Property and equipment, net</u>	<u>\$ 80,925</u>

Depreciation expense for the year ended December 31, 2022 was \$ 5,542.

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION.
Notes to Financial Statements

Note 3 – Long-term Notes Payable

Long-term notes payable is described as follows:

At December 31	2022
Truist Bank – 48 monthly payments of \$ 1,150, including interest at 3.25%, and one balloon payment of the outstanding balance and all accrued interest, due in May 2025, collateralized by buildings and land	\$ 32,023
Less current maturities	<u>(12,950)</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 19,073</u>

Scheduled principal repayments on long-term debt for the next five years are as follows:

Years Ending December 31	Long-Term Debt
2023	\$ 12,950
2024	13,378
2025	5,695
2026	
2027	
Thereafter	<u> </u>
<u>Principal repayments</u>	<u>\$ 32,023</u>

Note 4 – Concentration of Credit Risk

The Ministry has concentrated its credit risk for cash by maintaining deposits at local area banks which may at times exceed amounts covered by insurance provided by the U. S. Federal Deposit Insurance Corporation (FDIC). The Ministry has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

INTER-FAITH ALLIANCE CORPORATION
DBA CLEVELAND COUNTY RESCUE MISSION.
Notes to Financial Statements

Note 5 – Donation of Assets and Collaboration with another Ministry

In January 2021, the Ministry donated assets consisting of property and equipment to Western Carolina Rescue Ministries, Inc (WCRM). These assets included land, buildings, furniture, fixtures and equipment with a book value of the time of donation of \$ 1,028,447. As part of this donation, WCRM assumed obligations of the Ministry that the real estate property continue to be used as a shelter or affordable housing due to provisions imposed by two FHLB grants which were previously recorded by the Ministry during their ownership of the assets. The obligation is expected to fully expire in 2036. The Ministry was relieved of loan obligations totaling \$ 621,304 resulting from the transfer of the assets to WCRM.

WCRM assumed management responsibilities of the Ministry in July 2020. The Ministry leases the property that was transferred to WCRM for \$5,000 per month beginning on March 5, 2021 and continuing for a period of one year. The lease will automatically renew absent written notice from either party. The total paid by the Ministry on this lease to WCRM in 2022 was \$36,000. The Ministry is responsible for utilities, maintenance and insurance costs on the leased property.

WCRM advanced \$ 253,690 in 2022 to the Ministry to finance operational costs. For the total year ended December 31, 2022, the Ministry owed WCRM \$ 424,607.

Note 6 – Subsequent Events

Subsequent events have been evaluated through June 23, 2023, which is the date that the financial statements were available to be issued.

Note 7 – Open Tax Positions

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2019, 2020, and 2021, are subject to examination by the IRS, generally for 3 years after they were filed.

Note 8 – Related Party Transactions

Contributions from the Ministry's board of directors totaled \$ 15,200 for the year ended December 31, 2022.

Note 9 – Summary Disclosure of Significant Contingencies – Risk Management

The Ministry is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Ministry carries commercial insurance coverage for risks of loss.

INTER-FAITH ALLIANCE CORPORATION
 DBA CLEVELAND COUNTY RESCUE MISSION.
 Notes to Financial Statements

Note 10 – Liquidity and Availability of Resources

The following reflects the Ministry’s financial assets as of December 31, 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Financial assets:	\$	235,145
<i>Less those funds unavailable for general expenditures due to:</i>		
Restricted by donor with time and purpose restrictions		-0-
Financial assets available to meet cash needs within one year	\$	235,145

The Ministry manages its liquid resources by employing a variety of measures. The Ministry focuses on generating adequate contributions to cover the costs of its activities. In addition, the Ministry invests excess cash in investments to maximize return, taking into consideration the Ministry’s low tolerance for investment market risk.

Note 11 – Restatement of Net Assets

In 2022, management discovered that there were expenses paid for by WCRM (Note 5) that were Ministry expenses not previously recorded in the Ministry’s records. Net assets were decreased and the amounts due to WCRM were increased as of December 31, 2022 to reflect recognition of these expenses:

Net assets without donor restrictions, as originally reported	\$	(154,506)
Recognition of expenses incurred in a prior year		12,654
Net assets without donor restrictions, as restated	\$	(167,160)