



WILMINGTON AREA
REBUILDING MINISTRY, INC.

Audited Financial Statements

for the year ended

December 31, 2021

(with comparative totals for 2020)



Table of Contents

Independent Auditor’s Report.....	3-4
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Financial Statements

Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses.....	7
Statement of Cash Flows.....	8
Notes to the Financial Statements	9-16

Independent Auditor’s Reports on Internal Control and Compliance

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17-18
Schedule of Expenditures of Federal and State Awards	19
Notes to the Schedule of Expenditures of Federal and State Awards.....	20



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WARM 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.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WARM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WARM's ability to continue as a going concern for a reasonable period of time.

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

Prior Year Summarized Comparative Information

We have previously audited WARM's 2020 financial statements and our report dated April 28, 2021 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2022, on our consideration of WARM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WARM's internal control over financial reporting and compliance.

Bearman CPA PC

Wilmington, North Carolina
May 11, 2022

Wilmington Area Rebuilding Ministry, Inc.

Statement of Financial Position

as of December 31, 2021

(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and Cash Equivalents (Note 3c)	\$ 729,428	\$ 708,262
Accounts Receivable (Note 5)	260,026	272,075
Due from Related Party (Note 13)	39,169	13,827
Prepaid Expenses	22,327	776
Property & Equipment, net (Note 6)	<u>871,909</u>	<u>868,867</u>
Total Assets	<u>\$ 1,922,859</u>	<u>\$ 1,863,807</u>
 Liabilities & Net Assets		
Liabilities		
Accounts Payable & Accrued Liabilities (Note 7)	\$ 205,959	\$ 196,019
Notes Payable (Note 9)	<u>405,138</u>	<u>423,489</u>
Total Liabilities	<u>611,097</u>	<u>619,508</u>
Net Assets		
Without Donor Restrictions (Note 3b)	1,157,104	1,043,823
With Donor Restrictions (Note 3b and 11)	<u>154,658</u>	<u>200,476</u>
Total Net Assets	<u>1,311,762</u>	<u>1,244,299</u>
Total Liabilities & Net Assets	<u>\$ 1,922,859</u>	<u>\$ 1,863,807</u>

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, 2021

(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue				
Grants and Contributions (Note 5 and 11)	\$ 548,487	\$ 149,700	\$ 698,187	\$ 362,545
Government Grants & Contracts (Note 5 and 11)	289,560	817,028	1,106,588	900,317
Disaster Recovery Funds (Note 5 and 11)	-	1,234,933	1,234,933	779,156
Other Income	20,268	-	20,268	11,153
Net Assets Released from Restriction for Operations	990,831	(990,831)	-	-
Net Assets Released from Restriction for Disaster Recovery	1,256,648	(1,256,648)	-	-
Total Revenue	3,105,794	(45,818)	3,059,976	2,053,171
Expense				
Program (Note 3e)	2,533,317	-	2,533,317	1,554,535
Management & General (Note 3e)	156,910	-	156,910	129,359
Fundraising (Note 3e)	302,286	-	302,286	228,896
Total Expense	2,992,513	-	2,992,513	1,912,790
Change in Net Assets	113,281	(45,818)	67,463	140,381
Net Assets Beginning of Year	1,043,823	200,476	1,244,299	1,103,918
Net Assets End of Year	\$ 1,157,104	\$ 154,658	\$ 1,311,762	\$ 1,244,299

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, 2021
(with comparative totals for 2020)

<u>Expense Type</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
Wages and Benefits	\$ 917,947	\$ 113,842	\$ 176,502	\$ 1,208,291	\$ 1,026,357
Rebuilding Contracted Services	715,278	-	-	715,278	402,046
Rebuilding Project Materials	679,841	-	-	679,841	179,810
Professional Services	1,948	22,546	51,186	75,680	16,894
Facilities & Equipment	56,110	5,875	8,665	70,650	84,819
Office & General	84,010	7,598	56,034	147,642	115,001
Insurance	42,351	5,015	8,359	55,725	41,513
Interest (Note 9)	11,341	1,120	1,540	14,001	14,644
Depreciation (Note 6)	24,491	914	-	25,405	31,706
Total Expenses	<u>\$ 2,533,317</u>	<u>\$ 156,910</u>	<u>\$ 302,286</u>	<u>\$ 2,992,513</u>	<u>\$ 1,912,790</u>

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, 2021
(with comparative totals for 2020)

	2021	2020
Cash Flows from Operating Activity		
Change in Net Assets	\$ 67,463	\$ 140,381
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	25,405	31,706
Changes in certain assets and liabilities:		
Accounts Receivable	12,049	(38,919)
Due from Related Party	(25,342)	7,479
Prepaid Expenses	(21,551)	6,500
Accounts Payable & Accrued Expenses	9,940	18,713
Net Cash Provided by Operating Activities	67,964	165,860
Cash Flows from Investing Activities		
Property & Equipment Purchases	(28,447)	(3,518)
Net Cash Used in Investing Activities	(28,447)	(3,518)
Cash Flows from Financing Activities		
Payments on Long-term Debt	(18,351)	(25,035)
Net Cash Used in Financing Activities	(18,351)	(25,035)
Net Increase in Cash	21,166	137,307
Cash and Cash Equivalents, beginning of year	708,262	570,955
Cash and Cash Equivalents, end of year	\$ 729,428	\$ 708,262

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

Wilmington Area Rebuilding Ministry, Inc.

Notes to the Financial Statements

December 31, 2021

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 repairs, rebuilds, and makes homes accessible; and inspires service, generosity and hope. WARM envisions a community where all homeowners are safe in their homes. WARM serves Brunswick, New Hanover, Onslow and Pender Counties of North Carolina. To qualify for WARM services, homeowners must have a household income at or below 50% of the area median income for their county of residence and must reside in their homes and have owned them for at least three years. In 2021, WARM volunteers performed home repair projects for 185 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 based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

See Independent Auditor's Report

Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2021

Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use 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.

Net assets with donor restrictions are resources that are subject to donor (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. *As of December 31, 2021, the organization held no net assets with permanent donor restrictions.* See Note 11 for a discussion of other donor-restricted net assets held as of December 31.

3c. Cash and Cash Equivalents

WARM 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. At various times during the year, WARM's cash balance in financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per depositor. These financial institutions have strong credit ratings and management believes that the credit risks related to these deposits are minimal.

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 11, 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.

See Independent Auditor's Report

Wilmington Area Rebuilding Ministry, Inc.

Notes to the Financial Statements

December 31, 2021

3e. Functional Allocation of Expenses

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 for these expense categories:

<u>Expense Category</u>	<u>Method of Allocation by Function</u>
Wages & Benefits	Time and effort (e.g. staff members' time tracking)
Office & General	Time and effort
Facilities & Equipment	Usage of space (e.g. square footage by function)

The Statement of Functional Expenses presents these same expenses by both the functional category (program, management and general, and fundraising) and 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 recognizing special events revenue, WARM follows the guidance provided by FASB ASC-958-605, *Revenue Recognition*. WARM considers its events to be on-going and central to its operations and therefore records revenues at the gross amount. All costs of the events appear within the fundraising category on the Statement of Functional Expenses.

3f. Property & Equipment

WARM capitalizes property and equipment costing more than \$5,000. 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 6, Property & Equipment*.

See Independent Auditor's Report

Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2021

3g. Operating Lease Commitments

WARM has elected, as allowed by ASC 842-20-25-2, not to recognize right-of-use assets and lease liabilities for short-term leases (that is, leases with terms of 12 months or less). As such, future scheduled payments under short-term lease arrangements, or the corresponding rights-of-use, are not displayed on the Statement of Financial Position.

3h. 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 (with and without donor restrictions). 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 WARM's financial statements for the year then ended, from which the summarized information is derived.

4. Liquidity and Availability

As of December 31, 2021, WARM's financial assets that will become available within one year for general expenditure totaled \$988,923 as shown in the table below:

Total Cash & Cash Equivalents	\$ 729,428
Accounts Receivable	299,195
less Building Fund donations	-39,700
Total Available	\$ 988,923

WARM has not reduced the available amount by \$114,958 of other restricted net assets because the specific restrictions relate to budgeted initiatives in 2022 and therefore will be available for general expenditures such as payroll. In 2021, the organization had average daily expenses of \$8,129, excluding depreciation. Therefore, the \$988,923 of available financial assets could theoretically fund operations for 122 days at 2021 expenditure levels.

As part of WARM's liquidity management plan, cash in excess of daily requirements may be invested in short-term investments and money market funds.

5. Grants & Contributions

WARM receives its funding from a wide base of support that includes many individuals, businesses, churches, civic organizations, and foundations. During 2021, it received \$698,187 of private grants and contributions for regular operations.

See Independent Auditor's Report

Wilmington Area Rebuilding Ministry, Inc.

Notes to the Financial Statements

December 31, 2021

Additionally, WARM continued to receive significant support for its disaster relief efforts related to 2018's Hurricane Florence which created widespread damage to the region. During 2021, it received an additional \$1,234,933 of donations for disaster recovery, including \$1,163,577 of NC State emergency funding, which brought the total since September 2018 to \$3,162,946.

In addition, it recorded \$1,035,233 of government grants and contracts for its regular operations including:

- \$284,905 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 the local region during 2021 and 2022. Also see *Note 11, Restrictions on Net Assets*.
- \$396,794 from the U.S. Department of Housing and Urban Development (HUD) administered by the NCHFA to provide essential single-family home rehabilitation and disaster recovery. These grants are reimbursement-based.
- \$189,856 from the U.S. Small Business Administration through the Paycheck Protection Program (PPP). The loan proceeds were received by WARM in April 2021 and were used to cover payroll costs and other eligible expenses over a 24-week period ending in September 2021. As such, following the guidance provided by ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, WARM has recorded the funding as grant revenue since all conditions for forgiveness had been met as of December 31, 2021.

Accounts Receivable

The accounts receivable balance of \$260,026 consists primarily of grants awarded prior to year-end for which the organization had yet to receive payment as of December 31. Management believes all amounts are fully collectible. Accordingly, no provision is made for uncollectible amounts.

6. Property and Equipment

The property and equipment balance of \$871,909 is stated at cost and consists of the categories in the following table. Depreciation is computed on a straight-line basis over the useful lives of the assets (5 years for equipment, 15 to 39 years for buildings and improvements). Depreciation expense totaled \$25,405 and appears as a line item on the Statement of Functional Expenses.

See Independent Auditor's Report

Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2021

Property & Equipment Summary

Land	\$ 590,973
Land Improvements	85,664
Building	117,094
Building Improvements	77,701
Machinery & Equipment	<u>139,904</u>
	\$ 1,011,336
Less accumulated depreciation	<u>(139,427)</u>
Total	\$ 871,909

7. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of \$205,959 consists of operational accounts payable of \$126,746 and payroll and related liabilities of \$79,213.

8. Line of Credit

WARM 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. There was no outstanding balance as of December 31, 2021.

9. Long-Term Debt

WARM's debt totals \$405,138 and consists of the following notes payable:

- First Citizen's Bank loan with a principal balance of \$299,133 to assist in the purchase of real estate at 6955 Market Street in Wilmington, North Carolina (see Note 6). The loan has an interest-only payment provision at a fixed rate of 3.25% per annum. After the interest-only period, monthly payments of \$2,938 are due until the loan matures in August 2022, when a final balloon payment of \$258,395 is due.
- South State Bank loan with a principal balance of 99,122 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. The loan matures in November 2025, when a final balloon payment of \$51,526 is due.
- Two loans from local banks for the purchase of program vehicles and equipment with outstanding balances totaling \$6,882. The loans are due to be paid in full between 2022 and 2023 and are at a fixed rate of 3.25%.

See Independent Auditor's Report

Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
 December 31, 2021

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

FY 2022	\$ 316,822
FY 2023	13,090
FY 2024	12,608
FY 2025	62,618
FY 2026	<u> -</u>
Total	<u>\$ 405,138</u>

10. Retirement Plan

WARM provides a simplified employee retirement plan to its employees. It matches employee contributions to the plan up to three percent of each participant’s qualified wages for the fiscal year. In 2021, WARM contributed \$25,621 and this expense is included in the line item “Payroll” on the Statement of Functional Expenses.

11. Restrictions on Net Assets

During the year, funds totaling \$2,247,479 that were initially restricted for a variety of uses were expended for their intended purposes and released from restriction. These appear as the two “Net Assets Released from Restriction” line items on the Statement of Activities.

The following table summarizes the restricted activity by type for 2021:

Restriction Type	Prior Year Balance 12/31/20	Current Year Contributions	Released from Restriction	Restricted Fund Balance 12/31/21
Disaster Relief	21,715	1,234,933	(1,256,648)	0
Urgent Repair & Rehabilitation Programs	148,203	771,974	(863,778)	56,399
Building Fund	25,000	89,700	(75,000)	39,700
Other Restricted	5,558	105,054	(52,053)	58,559
Total Restricted	200,476	2,201,661	(2,247,479)	154,658

See Independent Auditor’s Report

Wilmington Area Rebuilding Ministry, Inc.

Notes to the Financial Statements

December 31, 2021

12. 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 2018.

13. Related Party Transactions

During the year 2021, WARM provided contracted services to its sister organization, Hope Comes Home, a nonprofit corporation, in the amount of \$167,619. A total of \$39,169 of this amount was outstanding at year-end and is reported as the line item “Due from Related Party” on the Statement of Financial Position.

WARM and Hope Comes Home have separate boards of directors but share one executive director and common facilities. However, the financial statements of the two entities are not consolidated based on the guidance provided by Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 810, “Consolidation.” Presentation of consolidated financial statements is required when one entity controls and has an economic interest in the other entity. Since Hope Comes Home receives independent funding from the North Carolina Housing Finance Agency (NCHFA), an economic interest does not exist and therefore consolidation is not required.

14. Subsequent Events

In March 2022, WARM entered into an agreement with Monteith Construction Corporation to design and build a new facility for future program and administrative needs, consisting of two structures on 3.5 acres located at 6955 Market Street in Wilmington, NC – a two-story, 10,000 square-foot office building and a one-story, 14,000 square-foot pre-engineered building – and accompanying site work. WARM’s budget for the project is approximately \$4 million.

WARM has evaluated events that have occurred subsequent to the statement of financial position date (December 31, 2021) and through the date that the Independent Auditor’s Report was available to be issued (May 11, 2022). No other 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



**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wilmington Area Rebuilding Ministry, Inc. (WARM), a nonprofit organization, which comprise the statement of financial position as 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, and have issued our report thereon dated May 11, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered WARM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WARM's internal control. Accordingly, we do not express an opinion on the effectiveness of WARM's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. ***Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.*** However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether WARM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bearman CPA PC

Wilmington, North Carolina
May 11, 2022

Wilmington Area Rebuilding Ministry, Inc.
Schedule of Expenditures of Federal and State Awards
for the year ended December 31, 2021

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)		
HOME Investment Partnerships Program		
Passed through the N.C. Housing Finance Agency		
Single Family Rehab Program (SFR)	14.239	\$ 396,794
Total Federal Expenditures		\$ 396,794
<u>North Carolina State Grantor/ Program Title</u>	<u>State Ref. Number</u>	<u>Expenditures</u>
Housing Trust Fund		
State Appropriation		
Passed through N.C. Housing Finance Agency		
Single Family Rehab Program (Disaster Relief)	SFRLPDR1719	89,123
Urgent Repair Program (URP)	URP 20	1,123
Urgent Repair Program (URP)	URP 21	100,000
N.C. Office of State Budget and Management		
Brunswick County Hurricane Florence Critical Needs	13624-T	436,950
New Hanover County Hurricane Florence Disaster Recovery	DRA_FLO_13624-G	97,173
Onslow County Hurricane Florence Disaster Recovery	DRA_FLO_13624-G	184,049
Pender County Hurricane Florence Disaster Recovery	DRA_FLO_13624-G	305,367
N.C. Department of Public Safety - Emergency Management		
N.C. Voluntary Organization Assisting with Disasters (VOAD)	VOAD 2019	140,038
Total State Expenditures		\$ 1,353,823
Total Federal and State Expenditures		\$ 1,750,617

The accompanying notes are an integral part of this schedule.

Wilmington Area Rebuilding Ministry, Inc.
Notes to the Schedule of Expenditures of Federal and State Awards
for the year ended December 31, 2021

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (“the Schedule”) includes the federal and state grant activities of WARM, primarily under the programs “Single Family Rehab Program” and “Urgent Repair Program” for the year ended December 31, 2021, as well as NC State appropriated disaster relief funding.

The information in the Schedule is presented in accordance with the requirements of the applicable sections of *Title 2 U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of WARM, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

WARM received its federal funding indirectly as it was initially awarded to the State of North Carolina and passed through its agencies. It also received State funding which is presented in a separate section of the Schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations, Part 230, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Subrecipients

WARM spent the federal and state funds presented in the Schedule directly and did not make awards to subrecipients.

4. Indirect Cost Rate

WARM did not elect to use the 10% de minimis indirect cost rate for reimbursement of overhead costs that non-federal entities may use if they have never received a negotiated indirect cost rate.

See the accompanying Schedule of Expenditures of Federal and State Awards