



WILMINGTON AREA
REBUILDING MINISTRY, INC.

Audited Financial Statements

for the year ended

December 31, 2022

(with comparative totals for 2021)



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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, 2022, 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, 2022, 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 2021 financial statements and our report dated May 11, 2022 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, 2021, 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 April 26, 2023, 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
April 26, 2023

Wilmington Area Rebuilding Ministry, Inc.

Statement of Financial Position

as of December 31, 2022

(with comparative totals for 2021)

	2022	2021
Assets		
Cash and Cash Equivalents (Note 3c)	\$ 784,339	\$ 729,428
Accounts Receivable (Note 5)	567,057	260,026
Due from Related Party (Note 13)	4,462	39,169
Prepaid Expenses	14,134	22,327
Assets Held for Sale (Note 6)	877,751	842,118
Property & Equipment, net (Note 6)	<u>139,563</u>	<u>29,791</u>
Total Assets	<u>\$ 2,387,306</u>	<u>\$ 1,922,859</u>
Liabilities & Net Assets		
Liabilities		
Accounts Payable & Accrued Liabilities (Note 7)	\$ 189,878	\$ 203,159
Deferred Revenue (Note 5)	329,075	2,800
Notes Payable (Note 9)	<u>88,359</u>	<u>405,138</u>
Total Liabilities	<u>607,312</u>	<u>611,097</u>
Net Assets		
Without Donor Restrictions (Note 3b)	996,790	1,157,104
With Donor Restrictions (Note 3b and 11)	<u>783,204</u>	<u>154,658</u>
Total Net Assets	<u>1,779,994</u>	<u>1,311,762</u>
Total Liabilities & Net Assets	<u>\$ 2,387,306</u>	<u>\$ 1,922,859</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, 2022

(with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue				
Private Grants and Contracts (Note 5 and 11)	\$ 441,790	\$ 557,131	\$ 998,921	\$ 698,187
Government Grants & Contracts (Note 5 and 11)	560,538	1,354,932	1,915,470	1,106,588
Disaster Recovery Funds (Note 5 and 11)	-	841,659	841,659	1,234,933
Special Events Revenue (Note 3e)	121,530	-	121,530	-
Interest & Other Income	10,357	-	10,357	20,268
Net Assets Released from Restriction	2,125,176	(2,125,176)	-	-
Total Revenue	3,259,391	628,546	3,887,937	3,059,976
Expense				
Program (Note 3e)	2,732,631	-	2,732,631	2,533,317
Management & General (Note 3e)	270,605	-	270,605	156,910
Fundraising (Note 3e)	416,469	-	416,469	302,286
Total Expense	3,419,705	-	3,419,705	2,992,513
Change in Net Assets	(160,314)	628,546	468,232	67,463
Net Assets Beginning of Year	1,157,104	154,658	1,311,762	1,244,299
Net Assets End of Year	\$ 996,790	\$ 783,204	\$ 1,779,994	\$ 1,311,762

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, 2022
(with comparative totals for 2021)

Expense Type	Program	Management & General	Fundraising	2022 Total	2021 Total
Wages and Benefits	\$ 1,044,806	\$ 221,251	\$ 243,951	\$ 1,510,008	\$ 1,208,291
Rebuilding Contracted Services	634,219	-	-	634,219	715,278
Rebuilding Project Materials	738,960	-	-	738,960	679,841
Professional Services	6,934	9,750	5,000	21,684	75,680
Facilities & Equipment	125,009	14,910	21,771	161,690	70,650
Office & General	92,860	14,212	60,077	167,149	147,642
Insurance	45,635	9,641	8,999	64,275	55,725
Advertising & Promotion	-	-	27,444	27,444	-
Special Events (Note 3e)	-	-	48,753	48,753	-
Interest (Note 9)	12,217	344	474	13,035	14,001
Depreciation (Note 6)	31,991	497	-	32,488	25,405
Total Expenses	\$ 2,732,631	\$ 270,605	\$ 416,469	\$ 3,419,705	\$ 2,992,513

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, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activity		
Change in Net Assets	\$ 468,232	\$ 67,463
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	32,488	25,405
Changes in certain assets and liabilities:		
Accounts Receivable	(307,031)	12,049
Due from Related Party	34,707	(25,342)
Prepaid Expenses	8,193	(21,551)
Accounts Payable & Accrued Expenses	(13,281)	9,940
Deferred Revenue	326,275	-
Net Cash Provided by Operating Activities	<u>549,583</u>	<u>67,964</u>
Cash Flows from Investing Activities		
Property & Equipment Purchases	<u>(177,893)</u>	<u>(28,447)</u>
Net Cash Used in Investing Activities	<u>(177,893)</u>	<u>(28,447)</u>
Cash Flows from Financing Activities		
Payments on Long-term Debt	<u>(316,779)</u>	<u>(18,351)</u>
Net Cash Used in Financing Activities	<u>(316,779)</u>	<u>(18,351)</u>
Net Increase in Cash	<u>54,911</u>	<u>21,166</u>
Cash and Cash Equivalents, beginning of year	<u>729,428</u>	<u>708,262</u>
Cash and Cash Equivalents, end of year	<u>\$ 784,339</u>	<u>\$ 729,428</u>

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

Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2022

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 Bladen, Brunswick, Columbus, Duplin, 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 2022, WARM performed home repair projects for 177 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:

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Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2022

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, 2022, 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.

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Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2022

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*.

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Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2022

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, 2022, WARM's financial assets that will become available within one year for general expenditure totaled \$732,898 as shown in the table below:

Cash & Cash Equivalents	\$ 784,339
Accounts Receivable & Due from Related Party	571,519
less Building Fund donations	-622,960
Total Available	\$ 732,898

WARM has not reduced the available amount by \$160,245 of other restricted net assets because the specific restrictions relate to budgeted initiatives in 2023 and therefore will be available for general expenditures such as payroll. In 2022, the organization had average daily expenses of \$9,280, excluding depreciation. Therefore, the \$732,898 of available financial assets could theoretically fund operations for 79 days at 2022 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 2022, it received \$998,921 of private grants and contributions for regular operations.

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Wilmington Area Rebuilding Ministry, Inc.
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December 31, 2022

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 2022, it received an additional \$841,659 of disaster recovery funding from the State of North Carolina, which brought the total of disaster recovery funds received from all sources since September 2018 to \$4,004,605.

In addition, it recorded \$1,915,470 of government grants and contracts for its regular operations. Of this amount, \$1,053,280 were restricted federal and state funds that are described on page 19 of this report in the Schedule of Expenditures of Federal and State Awards, along with the \$841,659 of disaster recovery funding described above.

Accounts Receivable

The accounts receivable balance of \$567,057 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 and so no provision is made for uncollectible amounts.

Deferred Revenue

Following the guidance of FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*, WARM has deferred recognition of \$329,075 of revenue received in 2022 that will be earned in 2023. WARM has determined that the associated grant agreements are conditional and limit WARM's discretion on how it may spend the funds. Additionally, any unused funds are to be returned to the grantor. WARM intends to use the funds for various program purposes in 2023 and will recognize the revenue as the underlying conditions are met.

6. Property and Equipment

The property and equipment balance of \$139,563 is stated at cost less accumulated depreciation and consists of vehicles and other equipment. Depreciation is computed on a straight-line basis over a five-year useful life.

Program Property Held for Sale

In September 2019, WARM acquired a 3.5 acre property located at 6955 Market Street in Wilmington, NC and over the next three years began the design phase of a project to build a new program facility at that location. In September 2022, the board of directors decided not to move forward with the project due to the escalation of projected construction costs. In December 2022, WARM listed the property for sale with Maus, Warwick, Matthews & Co., commercial realtors.

Additionally, in February 2023, WARM sold its administrative and program offices at 5058 Wrightsville Avenue for \$386,500 and will recognize a gain on sale of approximately \$108,000 in 2023. Also see Note 9, Long-Term Debt.

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Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2022

Following the guidance of FASB ASC 360-10-45-9, *Long-lived Assets Held for Sale*, WARM has segregated the assets held for sale on the Statement of Financial Position. A summary of those assets, which are stated at historical cost less accumulated depreciation, follows:

<u>Long-Lived Assets Held for Sale</u>	
Land	\$ 590,972
Land Improvements	125,462
Building	117,094
Building Improvements	<u>80,890</u>
	\$ 914,418
Less accumulated depreciation	<u>(36,667)</u>
Total	\$ 877,751

7. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of \$189,878 consists of operational accounts payable of \$96,349 and payroll and related liabilities of \$93,529.

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, 2022.

9. Long-Term Debt

WARM's debt totaled \$88,359 and consisted of two loans from South State Bank which were paid in full in February 2023. See Note 6, Property & Equipment.

In November 2022, WARM repaid in full its First Citizen's Bank loan with a final payment of \$299,619.

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 2022, WARM contributed \$30,476 and this expense is included in the line item "Wages & Benefits" on the Statement of Functional Expenses.

11. Restrictions on Net Assets

During the year, funds totaling \$2,125,176 that were initially restricted for a variety of uses were expended for their intended purposes and released from restriction. These appear as the line item "Net Assets Released from Restriction" on the Statement of Activities.

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Wilmington Area Rebuilding Ministry, Inc.
Notes to the Financial Statements
December 31, 2022

The following table summarizes the restricted activity by type for 2022:

Restriction Type	Prior Year Balance 12/31/21	Current Year Contributions	Released from Restriction	Restricted Fund Balance 12/31/22
Disaster Relief	-	841,659	(841,659)	-
Urgent Repair & Rehabilitation Programs	56,398	1,061,491	(998,645)	119,244
Building Fund	39,700	590,651	(7,391)	622,960
Other Restricted	58,560	259,921	(277,481)	41,000
Total Restricted	154,658	2,753,722	(2,125,176)	783,204

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 2020.

13. Related Party Transactions

During 2022, WARM provided contracted services to its sister organization, Hope Comes Home, a nonprofit corporation, in the amount of \$224,824. A total of \$4,462 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.

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Wilmington Area Rebuilding Ministry, Inc.

Notes to the Financial Statements

December 31, 2022

14. Subsequent Events

WARM has evaluated events that have occurred subsequent to the statement of financial position date (December 31, 2022) and through the date that the Independent Auditor's Report was available to be issued (April 26, 2023). No events have occurred during that period that would require adjustments to the audited financial statements or disclosures in these notes other than as described in Notes 6 and 9, above.

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, 2022, 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 April 26, 2023.

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
April 26, 2023

Wilmington Area Rebuilding Ministry, Inc.
Schedule of Expenditures of Federal and State Awards
for the year ended December 31, 2022

Federal Grantor/ Program Title	Federal CFDA Number	Expenditures
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	\$ 247,285
U.S. Department of Health & Human Services/LIHEAP		
Low-Income Home Energy Assistance Program		
Passed through N.C. Department of Environmental Quality		
Low-Income Home Energy Assistance	93.568	\$ 132,000
Total Federal Expenditures		\$ 379,285
North Carolina State Grantor/ Program Title	State Ref. Number	Expenditures
Housing Trust Fund		
State Appropriation		
Passed through N.C. Housing Finance Agency		
Single Family Rehab Program (Disaster Relief)	SFRLPDR1719	229,256
Urgent Repair Program (URP)	URP 21	100,000
Urgent Repair Program (URP)	URP 22	244,739
N.C. Office of State Budget and Management		
Brunswick County Hurricane Florence Critical Needs	13624-T	526,301
New Hanover County Hurricane Florence Disaster Recovery	DRA_FLO_13624-G	226,820
Pender County Hurricane Florence Disaster Recovery	DRA_FLO_13624-G	13,184
N.C. Department of Public Safety - Emergency Management		
N.C. Voluntary Organization Assisting with Disasters (VOAD)	VOAD 2019	75,354
General Assembly		
State Appropriation		
Passed through N.C. Department of Health & Human Services		
Directed Grant	S.L. 2022-74	100,000
Total State Expenditures		\$ 1,515,654
Total Federal and State Expenditures		\$ 1,894,939

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, 2022

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, 2022, 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