



# WELCOME HOME ANGEL, INC.

## Audited Financial Statements

for the year ended

December 31, 2022



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Welcome Home Angel, Inc.  
Wilmington, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of Welcome Home Angel, Inc. ("Welcome Home Angel"), 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 Welcome Home Angel 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 Welcome Home Angel 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 Welcome Home Angel'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 Welcome Home Angel'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 Welcome Home Angel'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.

*Bearman CPA PC*

Wilmington, North Carolina  
June 2, 2023

Welcome Home Angel, Inc.  
**Statement of Financial Position**  
as of December 31, 2022

	<b>12/31/22</b>
<b>Assets</b>	
Cash and Cash Equivalents (Note 3c)	\$ 549,549
Accounts Receivable	2,987
Inventory	20,955
Prepaid Expenses	3,696
<b>Total Assets</b>	<b>577,187</b>
 <b>Liabilities &amp; Net Assets</b>	
Accounts Payable & Accrued Liabilities (Note 5)	27,253
Deferred Revenue (Note 4)	122,800
<b>Total Liabilities</b>	<b>150,053</b>
 Net Assets	
Without Donor Restrictions (Note 3b)	427,134
With Donor Restrictions (Note 3b)	-
<b>Total Net Assets</b>	<b>427,134</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 577,187</b>

See the Independent Auditor's Report and accompanying notes.

Welcome Home Angel, Inc.  
**Statement of Activities**  
for the year ended December 31, 2022  
(with comparative totals for 2021)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022 Total</b>
<b>Revenue</b>			
Grants & Contributions (Notes 3d and 4)	\$ 107,849		\$ 107,849
Special Events (Note 3e)	203,664		203,664
Investment Income	3,609		3,609
Net Assets Released from Restriction (Note 3b)	-	-	-
<b>Total Revenue</b>	<b>315,122</b>	<b>-</b>	<b>315,122</b>
<b>Expense</b>			
Program (Note 3e)	271,636	-	271,636
Management & General (Note 3e)	40,193	-	40,193
Fundraising (Note 3e)	57,096	-	57,096
<b>Total Expense</b>	<b>368,925</b>	<b>-</b>	<b>368,925</b>
<b>Change in Net Assets</b>	<b>(53,803)</b>	<b>-</b>	<b>(53,803)</b>
Net Assets Beginning of Year	480,937	-	480,937
<b>Net Assets End of Year</b>	<b>\$ 427,134</b>	<b>\$ -</b>	<b>\$ 427,134</b>

See the Independent Auditor's Report and accompanying notes.

Welcome Home Angel, Inc.  
**Statement of Functional Expenses**  
for the year ended December 31, 2022

<b>Expense Type</b>	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2022 Total</b>
Payroll	139,085	10,177	20,354	<b>169,616</b>
Building Contractors (Note 7)	39,813	-	-	<b>39,813</b>
Building Supplies & Materials (Note 7)	59,023	-	-	<b>59,023</b>
Professional Services	8,248	27,483	1,090	<b>36,821</b>
Bank & Merchant Fees	-	1,004	5,534	<b>6,538</b>
Special Events (Note 3e)	-	-	26,592	<b>26,592</b>
Travel, Meetings & Events	15,137	259	562	<b>15,958</b>
Insurance	1,903	901	-	<b>2,804</b>
General Operations	8,427	369	2,964	<b>11,760</b>
<b>Total Expense</b>	<b>\$ 271,636</b>	<b>\$ 40,193</b>	<b>\$ 57,096</b>	<b>\$ 368,925</b>

See the Independent Auditor's Report and accompanying notes.

Welcome Home Angel, Inc.  
**Statement of Cash Flows**  
for the year ended December 31, 2022

	<b>2022</b>
<b>Cash Flows from Operating Activity</b>	
Change in Net Assets	\$ (53,803)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Changes in certain assets and liabilities:	
Accounts Receivable	(2,859)
Inventory	(14,150)
Prepaid Expenses	(3,696)
Accounts Payable	20,620
Deferred Revenue	122,800
<b>Net Cash Provided by Operating Activities</b>	<b>68,912</b>
<b>Cash Flows from Investing Activities</b>	
None	-
<b>Net Cash Used in Investing Activities</b>	-
<b>Cash Flows from Financing Activities</b>	
None	-
<b>Net Cash Used in Financing Activities</b>	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>68,912</b>
Cash and Cash Equivalents, beginning of year	480,637
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 549,549</b>

See the Independent Auditor's Report and accompanying notes.



Welcome Home Angel, Inc.  
**Notes to the Audited Financial Statements**  
December 31, 2022

**1. Organization**

Welcome Home Angel, Inc., (“Welcome Home Angel”), is a North Carolina nonprofit corporation organized in November 2007. 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. The organization intends to establish State chapters across the United States. The first of these chapters, Welcome Home Angel Illinois, LLC, was established in April 2023 as a North Carolina limited liability company that is considered a disregarded entity for federal tax purposes. As such, all financial activities of Welcome Home Angel and its chapters are included in these financial statements.

**2. Mission**

The purpose of Welcome Home Angel is to bring relief and joy to families and children with life-altering health conditions through functional space transformations that improve quality of life, give comfort, and speed recovery.

**3. Summary of Significant Accounting Policies**

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

**3a. Use of Estimates**

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

**3b. Net Asset Classes**

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

*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

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Welcome Home Angel, Inc.  
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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, Welcome Home Angel had no restricted net assets.

**3c. Cash and Cash Equivalents**

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

Liquidity and Availability

As of December 31, 2022, Welcome Home Angel had financial assets (cash and accounts receivable) of \$552,536 available for use within one year for general expenditures. In 2022, the organization had average daily expenses of \$1,011. Therefore, the \$552,536 of available financial assets could theoretically fund operations for 547 days at 2022 expenditure levels.

As part of the organization's liquidity management plan, cash in excess of daily requirements may be invested in interest-bearing accounts. At various times during the year, Welcome Home Angel'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).

Contributed services are only recorded if they meet the requirements for recognition (such as if they require specialized skills and would otherwise have been purchased by the organization). These requirements are outlined in FASB ASC 958-605-25-16, "Contributed Services." While many individuals volunteer significant amounts of time and perform a variety of tasks for the

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Welcome Home Angel, Inc.  
**Notes to the Audited Financial Statements**  
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organization, their services do not meet the criteria for recognition and are, therefore, not reflected in the financial statements.

***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 staff member's time and effort as an objective basis for the following expense categories: payroll, travel, meetings and events, and general operations.

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.

Welcome Home Angel sponsors occasional special events to raise awareness of its mission and to raise funds for the organization. In recognizing special events revenue, Welcome Home Angel follows the guidance provided by FASB ASC-958-605, *Revenue Recognition*. It 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.

***3g. Property & Equipment***

Welcome Home Angel 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. Currently, the organization owns no assets exceeding this threshold.

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Welcome Home Angel, Inc.  
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**4. Grants & Contributions**

Welcome Home Angel receives its revenue from a wide variety of funding sources including individuals, businesses, and private foundations.

During 2022, Welcome Home Angel also received \$12,800 to assist the start-up of its Illinois chapter and \$110,000 for 2023 program initiatives. Following the guidance of FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*, Welcome Home Angel has deferred recognition of these amounts and \$122,800 appears as deferred revenue on the Statement of Financial Position. Welcome Home Angel has determined that the associated grant agreements are conditional and limit the organization's discretion on how it may spend the funds. Additionally, any unused funds are to be returned to the grantor. Welcome Home Angel intends to use the funds for various program purposes in 2023 and will recognize the revenue as the underlying conditions are met.

**5. Accounts Payable and Accrued Liabilities**

The accounts payable and accrued liabilities balance of \$27,253 consists of operational accounts payable.

**6. 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 Welcome Home Angel believes it is not subject to tax examinations for fiscal years prior to 2020.

**7. Assistance to Individuals**

In fulfilling its mission to bring relief and joy to families and children with life-altering health conditions, Welcome Home Angel uses professional contractors to transform families' living spaces. The direct expenses of these projects are reflected on the Statement of Functional Expenses as the line items "Building Contractors" and "Building Supplies and Materials."

**8. Subsequent Events**

In February 2023, Welcome Home Angel entered into an agreement with a local landlord to rent approximately 3,500 square feet of space at 3171 and 3175 Wrightsville Avenue in Wilmington, NC. Agreed-upon future payments for the three-year lease total \$165,286.

Welcome Home Angel 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 (June 2, 2023). No events have occurred during that period that would require adjustments to the audited financial statements or disclosure in these notes.

See the Independent Auditor's Report