



**Thermal Belt Outreach Ministry, Inc.  
Financial Statements  
December 31, 2023 and 2022**

Thermal Belt Outreach Ministry, Inc.  
Table of Contents  
December 31, 2023 and 2022

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<b>Independent Auditor’s Report</b>	1 – 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows	7
<b>Notes to Financial Statements</b>	8 – 17



## Independent Auditor's Report

To the Board of Directors of  
Thermal Belt Outreach Ministry, Inc.

*Prager Metis CPAs, PLLC*

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### Opinion

We have audited the accompanying financial statements of Thermal Belt Outreach Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 Thermal Belt Outreach Ministry, Inc. as of December 31, 2023, 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 Thermal Belt Outreach Ministry, Inc. 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.

### Prior Period Financial Statements

The financial statements of Thermal Belt Outreach Ministry, Inc. as of December 31, 2022 were audited by Goldsmith Molis & Gray, PLLC, whose assets were acquired by Prager Metis CPAs, PLLC as of January 1, 2024, whose report dated March 14, 2023, expressed an unmodified opinion on those statements.

### Responsibilities of Management 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 Thermal Belt Outreach Ministry, Inc.'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 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 Thermal Belt Outreach Ministry, Inc.'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 Thermal Belt Outreach Ministry, Inc.'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 that we identified during the audit.

*Prager Metis CPAs, PLLC*

Prager Metis CPAs, PLLC  
Asheville, North Carolina  
March 12, 2025

Thermal Belt Outreach Ministry, Inc.  
 Statements of Financial Position  
 December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets		
Cash and restricted cash	\$ 1,578,925	\$ 1,490,574
Accounts receivable	-	32,350
Grant receivable	-	25,000
Sales tax receivables	2,478	2,118
Prepaid expenses	9,866	-
Inventory	6,486	6,486
Total current assets	<u>1,597,755</u>	<u>1,556,528</u>
Other assets		
Investments	381,277	324,284
Property and equipment, net	<u>1,695,178</u>	<u>1,634,327</u>
<b>Total assets</b>	<u><u>\$ 3,674,210</u></u>	<u><u>\$ 3,515,139</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,304	\$ 9,264
Security deposits	<u>500</u>	<u>250</u>
<b>Total liabilities (all current)</b>	<u>25,804</u>	<u>9,514</u>
<b>Net assets</b>		
Without donor restrictions	3,224,584	3,133,187
With donor restrictions	<u>423,822</u>	<u>372,438</u>
<b>Total net assets</b>	<u>3,648,406</u>	<u>3,505,625</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,674,210</u></u>	<u><u>\$ 3,515,139</u></u>

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

Thermal Belt Outreach Ministry, Inc.  
Statements of Activities  
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support and revenue</b>						
Contributions	\$ 181,251	\$ 323,114	\$ 504,365	\$ 637,004	\$ 223,133	\$ 860,137
Grants	-	217,841	217,841	25,000	154,500	179,500
In-kind contributions	-	691,513	691,513	-	473,286	473,286
Stock contributions	10,871	-	10,871	9,873	-	9,873
Rental income	23,100	-	23,100	23,100	-	23,100
Housing rental income	35,150	-	35,150	19,179	-	19,179
Special events	32,664	-	32,664	25,269	-	25,269
Interest income	13,020	-	13,020	6,511	-	6,511
Dividends	6,602	-	6,602	4,406	-	4,406
Other income	10,257	-	10,257	2,910	-	2,910
Gain (loss) on investments	50,391	-	50,391	(73,379)	-	(73,379)
Net assets released from restrictions	1,181,084	(1,181,084)	-	1,113,956	(1,113,956)	-
<b>Total public support and revenue</b>	<b>1,544,390</b>	<b>51,384</b>	<b>1,595,774</b>	<b>1,793,829</b>	<b>(263,037)</b>	<b>1,530,792</b>
<b>Expenses</b>						
Program expenses	1,218,375	-	1,218,375	890,767	-	890,767
Management and general	162,752	-	162,752	142,785	-	142,785
Fundraising	71,866	-	71,866	60,080	-	60,080
<b>Total expenses</b>	<b>1,452,993</b>	<b>-</b>	<b>1,452,993</b>	<b>1,093,632</b>	<b>-</b>	<b>1,093,632</b>
<b>Change in net assets</b>	<b>91,397</b>	<b>51,384</b>	<b>142,781</b>	<b>700,197</b>	<b>(263,037)</b>	<b>437,160</b>
Net assets, beginning of year	3,133,187	372,438	3,505,625	2,432,990	635,475	3,068,465
<b>Net assets, end of year</b>	<b>\$ 3,224,584</b>	<b>\$ 423,822</b>	<b>\$ 3,648,406</b>	<b>\$ 3,133,187</b>	<b>\$ 372,438</b>	<b>\$ 3,505,625</b>

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

Thermal Belt Outreach Ministry, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2023

	Program Services	Supporting Services		Total Support	Total Expenses
		Management and General	Fundraising		
<b>Salaries and related expenses</b>					
Salaries	\$ 157,616	\$ 71,469	\$ 36,728	\$ 108,197	\$ 265,813
Payroll taxes	14,495	6,281	3,382	9,663	24,158
Retirement	13,036	7,956	3,414	11,370	24,406
<b>Total salaries and related expenses</b>	<u>185,147</u>	<u>85,706</u>	<u>43,524</u>	<u>129,230</u>	<u>314,377</u>
<b>Other operating expenses</b>					
Gifts in-kind	691,333	180	-	180	691,513
Client assistance	275,261	803	-	803	276,064
Office expenses	12,710	18,887	5,243	24,130	36,840
Housing rental expenses	10,474	-	-	-	10,474
Professional fees	-	14,235	6,440	20,675	20,675
Utilities	9,974	6,867	-	6,867	16,841
Fundraising	21	-	12,097	12,097	12,118
Repairs and maintenance	1,791	7,120	-	7,120	8,911
Rental expenses	4,045	-	-	-	4,045
Insurance	145	2,774	-	2,774	2,919
Volunteer appreciation	89	2,577	-	2,577	2,666
Advertising	241	441	1,850	2,291	2,532
Vehicle expenses	440	1,524	-	1,524	1,964
Bank fees	2	63	1,489	1,552	1,554
Marketing	287	-	1,205	1,205	1,492
Staff and board development	23	539	18	557	580
Licenses and taxes	-	350	-	350	350
Interest	-	247	-	247	247
<b>Total other expenses</b>	<u>1,006,836</u>	<u>56,607</u>	<u>28,342</u>	<u>84,949</u>	<u>1,091,785</u>
Total expenses before depreciation and amortization	1,191,983	142,313	71,866	214,179	1,406,162
Depreciation	26,392	20,439	-	20,439	46,831
<b>Total functional expenses</b>	<u>\$ 1,218,375</u>	<u>\$ 162,752</u>	<u>\$ 71,866</u>	<u>\$ 234,618</u>	<u>\$ 1,452,993</u>

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

Thermal Belt Outreach Ministry, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2022

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total Support	
<b>Salaries and related expenses</b>					
Salaries	\$ 160,816	\$ 55,840	\$ 35,717	\$ 91,557	\$ 252,373
Payroll taxes	12,454	2,763	4,325	7,088	19,542
Employee benefits	12,544	8,630	962	9,592	22,136
<b>Total salaries and related expenses</b>	<b>185,814</b>	<b>67,233</b>	<b>41,004</b>	<b>108,237</b>	<b>294,051</b>
<b>Other operating expenses</b>					
Gifts in-kind	472,870	416	-	416	473,286
Client assistance	180,355	-	-	-	180,355
Office expenses	13,966	17,142	14,902	32,044	46,010
Professional fees	-	11,840	1,371	13,211	13,211
Utilities	8,459	6,034	-	6,034	14,493
Repairs and maintenance	3,050	3,375	-	3,375	6,425
Insurance	-	8,756	-	8,756	8,756
Volunteer appreciation	12	3,003	-	3,003	3,015
Rental expenses	2,660	-	-	-	2,660
Housing rental expenses	5,245	-	-	-	5,245
Advertising	167	1,703	439	2,142	2,309
Vehicle expenses	663	1,291	-	1,291	1,954
Bank fees	8	73	1,584	1,657	1,665
Marketing	199	819	598	1,417	1,616
Staff and board development	121	506	182	688	809
Licenses and taxes	-	250	-	250	250
Special events	156	6	-	6	162
<b>Total other expenses</b>	<b>687,931</b>	<b>55,214</b>	<b>19,076</b>	<b>74,290</b>	<b>762,221</b>
Total expenses before depreciation and amortization	873,745	122,447	60,080	182,527	1,056,272
Depreciation	17,022	20,338	-	20,338	37,360
<b>Total functional expenses</b>	<b>\$ 890,767</b>	<b>\$ 142,785</b>	<b>\$ 60,080</b>	<b>\$ 202,865</b>	<b>\$ 1,093,632</b>

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



Thermal Belt Outreach Ministry, Inc.  
 Statements of Cash Flows  
 Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 142,781	\$ 437,160
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	46,831	37,360
Stock contributions received	(10,871)	(9,873)
(Gain) loss on investments	(50,391)	73,379
Change in operating assets and liabilities		
Accounts receivable	32,350	(26,807)
Grants receivable	25,000	-
Sales tax receivables	(360)	57
Prepaid expenses	(9,866)	-
Inventory	-	(881)
Accounts payable and accrued expenses	16,040	(4,346)
Security deposits	250	
<b>Net cash provided by operating activities</b>	<u>191,764</u>	<u>506,049</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(107,682)	(603,191)
Purchase of investments	(6,602)	(7,714)
Sale of investments	10,871	10,137
<b>Net cash used in investing activities</b>	<u>(103,413)</u>	<u>(600,768)</u>
<b>Net increase (decrease) in cash and restricted cash</b>	<b>88,351</b>	<b>(94,719)</b>
Cash and restricted cash, beginning of year	<u>1,490,574</u>	<u>1,585,293</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 1,578,925</u>	<u>\$ 1,490,574</u>
<b>Non-cash investing and financing activities</b>		
Stock contributions received	<u>\$ 10,871</u>	<u>\$ 9,873</u>

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

**Note 1 Nature of Organization**

Thermal Belt Outreach Ministry, Inc. (the “Organization”) is a non-profit organization incorporated in 1992, located in Columbus, North Carolina. The mission of the Organization is to provide compassionate assistance to Polk County residents who are unable to meet their basic life needs.

Located on the campus of the Organization is the Collins Dental Center, established in 2006. The Collins Dental Center was initiated as a self-sustaining collaboration between the Organization and the Rutherford-Polk-McDowell District Board pursuant to the terms of a Memoranda of Agreement. In 2018, the relationship was terminated, and the Dental Center is now operated by Blue Ridge Health, which leases the Dental Center’s Columbus facility from the Organization under a multi-year agreement. The Dental Center provides dental services to improve the health and quality of life to children of low-income families and emergency dental services for a limited number of adults of low-income families.

Other program services provided by the Organization include providing financial assistance to individuals and families with basic life needs (medication, fuel, power, and shelter). The Organization operates a food pantry where eligible households can receive a week's worth of groceries each month. The food pantry also operates the Backpack Snacks program which provides a backpack of food for eligible children over the weekend, when school meals are not provided. The Organization also offers a school supply distribution as well as a Holiday program that includes a Thanksgiving meal gift card and Holiday Angel gift distribution.

**Note 2 Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

**Note 2 Summary of Significant Accounting Policies (continued)**

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations**

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Fair Value of Financial Instruments**

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

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

The Organization's financial instruments consist primarily of cash and restricted cash, receivables, investments, accounts payable and accrued expenses.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2023 and 2022, the Organization had no cash equivalents.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Concentration of Credit Risk**

The Organization maintains cash balances at one financial institution. Accounts at those institutions are secured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At certain times, bank balances may exceed the FDIC limit. The Organization has not experienced any losses in such accounts and believe neither entity is exposed to any significant credit risk.

**Inventory**

Inventory consists of purchased food supplies distributed as a part of the Food Pantry and Feed-a-Kid programs. The inventory is valued at cost. At December 31, 2023 and 2022, inventory totaled \$6,486 for both years. Donated food items are recorded as donations and inventoried at average estimated market value, during both years ended December 31, 2023 and 2022 was \$1.70 per pound.

**Investments**

The Organization reports its investments in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. The guidance prescribes that covered investments be reported in the statements of financial position at fair value with any realized or unrealized gains or losses reported in the statements of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

**Property and Equipment**

Land, buildings, and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to forty years. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$2,500 and expense normal repairs and maintenance as incurred. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Note 2 Summary of Significant Accounting Policies (continued)**

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**Revenue Recognition**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barriers and a right of return - are not recognized until the conditions on which they depend have been met. Third party contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization leases houses on an income need basis on a month-to-month basis. There are no contracts or formal terms. Rental income is recognized monthly as the performance obligation of providing the space to the tenant is satisfied.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

**In-kind Donations**

Donated materials, to include food, blankets and firewood, are received by the Organization and distributed to service recipients as part of its community outreach mission. These donated items are measured based on their fair value on the date of donation, as provided by third-party service providers, and are reported as in-kind contributions and gifts in-kind on the accompanying statements of activities and statements of functional expenses.

The Organization received \$691,513 in donated materials and 9,160 volunteer hours during the year ended December 31, 2023 and \$473,286 in donated materials and 9,518 volunteer hours during the year ended December 31, 2022. During the years ended December 31, 2023 and 2022, the Organization distributed food valued at \$430,082 and \$307,317, respectively, a small portion of which was from the federally funded TEFAP program administered through Manna Food Bank.

**Note 2 Summary of Significant Accounting Policies (continued)**

Such amounts, which are based upon information provided by the donor, are recorded at their estimated fair value determined on the date of contribution and are reported as in-kind contributions on the accompanying statements of activities.

During the years ended December 31, 2023 and 2022, the Organization also received unrestricted stock donations that had a fair value at the date of the gift in the amount of \$10,871 and \$9,873, respectively.

The Organization's policy related to gifts-in-kind is to utilize the asset given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

A substantial number of volunteers have donated a significant amount of time to the Organization's operations and program services. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under GAAP.

**Leases**

The Organization leases houses on a month-to-month basis to tenants based on income. The Organization also rents space for a dental clinic on a month-to-month basis. Rental income is recognized monthly. Rental income for the years ended December 31, 2023 and 2022 was \$58,250 and \$42,279, respectively.

**Income Taxes**

The Organization is established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Accounting for Uncertainty in Income Taxes*, clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return.

The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

**Note 2 Summary of Significant Accounting Policies (continued)**

As of December 31, 2023 and 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization records interest and penalties related to uncertain tax positions as a component of the other expenses on the statements of activities. The Organization’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, the years subject to examination include 2020 through 2022.

**Advertising Costs**

The Organization expenses advertising costs as they are incurred. Advertising costs totaled \$2,532 and \$2,309 for the years ended December 31, 2023 and 2022, respectively.

**Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis and, accordingly, certain expenses have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include salaries and payroll taxes, retirement benefits, gifts in-kind, client assistance, office expenses, utilities, professional fees, repairs and maintenance expenses, volunteer appreciation, advertising, vehicle expense, bank fees, marketing, staff and board development, and special events. Expense allocations are performed using the time and effort and square footage methods of allocation.

**Note 3 Cash and Restricted Cash**

Cash and restricted cash as of December 31, consists of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,155,103	\$ 1,118,136
Cash – restricted	<u>423,822</u>	<u>372,438</u>
Cash and restricted cash shown in the statements of cash flows	<u>\$ 1,578,925</u>	<u>\$ 1,490,574</u>

Restricted cash represents cash received with a donor-imposed restrictions that limit the use of that cash to program activities.

Thermal Belt Outreach Ministry, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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**Note 4 Availability and Liquidity**

The following represents the Organization's financial assets at December 31, 2023:

	<u>2023</u>	<u>2022</u>
Cash and restricted cash	\$ 1,578,925	\$ 1,490,574
Investments	381,277	324,284
Receivables	2,478	59,468
Less: net assets with donor restrictions	(423,822)	(372,438)
Less: board designated funds for capital improvements and operating reserves	<u>(150,000)</u>	<u>(150,000)</u>
Financial assets available for operations	<u><u>\$ 1,388,858</u></u>	<u><u>\$ 1,351,888</u></u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including certificates of deposit and a money market account.

**Note 5 Property and Equipment**

Property and equipment at December 31 comprises the following:

	<u>2023</u>	<u>2022</u>
Thermal Belt Outreach Ministry	\$ 924,673	\$ 878,294
Collins Dental Center	513,943	514,151
Housing	563,692	395,431
Construction in progress	440,787	552,203
	<u>2,443,095</u>	<u>2,340,079</u>
Less: accumulated depreciation	<u>(747,917)</u>	<u>(705,752)</u>
Property and equipment, net	<u><u>\$ 1,695,178</u></u>	<u><u>\$ 1,634,327</u></u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$46,831 and \$37,360, respectively. During the years ended December 31, 2023 and 2022, depreciation expense in the amount of \$26,392 and \$17,022, respectively, was allocated to the Collins Dental Center and rental houses.



## **Note 6 Investments**

Investments at December 31, 2023 include mutual funds with a cost basis of \$353,469 and market value of \$381,277. Investments at December 31, 2022 include mutual funds with a cost basis of \$337,373 and market value of \$324,284.

For the year ended December 31, 2023, investment returns included dividends of \$6,602 and gains of \$50,691. For the year ended December 31, 2022, investment returns included dividends of \$4,406 and losses of \$73,379.

## **Note 7 Fair Value Measurements**

The FASB issued a statement that defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data

If the asset or liabilities has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

**Note 7 Fair Value Measurements (continued)**

*Mutual Funds*

These investments are public investment vehicles valued using actual quoted market prices provided by the administrator of the fund. The quoted price is in an active market and classified within Level 1 of the valuation hierarchy. Level 1 mutual funds totaled \$381,277 and \$324,284 at December 31, 2023 and 2022, respectively.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 8 Net Assets**

Net assets without donor restrictions at December 31, 2023 and 2022 were \$3,224,584 and \$3,133,187, respectively, and are considered undesignated. Net assets with donor restrictions for program activities at December 31, 2023 and 2022 were \$423,822 and \$372,438, respectively. Net assets released from net assets with donor restrictions during the years ended December 31, 2023 and 2022 totaled \$1,181,084 and \$1,113,956, respectively.

**Note 9 Beneficially Owned Funds**

The Organization maintains a beneficial interest in certain component funds of the Polk County Community Foundation (the "Foundation"). The Organization is not the legal owner of these donated funds held and controlled by the Foundation. These funds are not reflected in the accompanying statements of financial position, and are included as assets of the Foundation. Foundation grants to the Organization are as determined by the Foundation in accordance with the underlying endowment fund agreement and Foundation funding distribution policies.

Total income from these beneficially owned funds received by the Organization from the Foundation, as included in contributions and grants on the statements of activities for the years ended December 31, 2023 and 2022 was \$87,500 and \$28,500, respectively.

**Note 10 Operating Lease Agreements**

**Collins Dental Center**

In June, 2018, the Organization entered into a lease agreement with the Blue Ridge Health to provide office and practice space for the Collins Dental Center. Rental income was \$1,925 per month through June 2023. In July 2023, the lease agreement automatically renewed at \$1,925 per month through June 2024.

Thermal Belt Outreach Ministry, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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**Note 10 Operating Lease Agreements (continued)**

Total rental income for the years ended December 31, 2023 and 2022 was \$23,100 and \$23,100, respectively. Future minimal rental income is \$11,550 for the year ended December 31, 2024.

The following is an analysis of the carrying amounts of the underlying assets related to the Collins Dental Center at December:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 513,943	\$ 514,151
Less: accumulated depreciation	<u>(373,672)</u>	<u>(333,966)</u>
Total cost, net	<u>\$ 140,271</u>	<u>\$ 180,185</u>

The Organization also has four month-to-month lease agreements for the rental housing units added to its property during 2021, 2022 and 2023. Total rental income for the years ended December 31, 2023 and 2022 was \$35,150 and \$19,179, respectively.

The following is an analysis of the carrying amounts of the underlying assets related to the rental units at December 31:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 563,692	\$ 395,431
Less: accumulated depreciation	<u>(32,472)</u>	<u>(12,993)</u>
Total cost, net	<u>\$ 531,220</u>	<u>\$ 382,438</u>

**Note 11 Retirement Plan**

The Organization maintains a non-contributory retirement benefit plan, whereby all employees who have completed a six-month probationary period become eligible for participation and will receive a contribution of ten percent of their gross salary into their own self-directed SEP IRA account. The retirement benefit plan was funded through a grant received from the Polk County Community Foundation. Retirement plan contributions for the years ended December 31, 2023 and 2022 were \$24,406 and \$22,136, respectively.

**Note 12 Subsequent Events**

The Organization evaluated the effect that all subsequent events would have on the financial statements through March 12, 2025, which is the date the financial statements were available to be issued.