WELCOME HOME ANGEL, INC. AND SUBSIDIARY
Wilmington, North Carolina

INDEPENDENT AUDITORS' REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Year Ended
December 31, 2023

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	**1 - 2**
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**3**
CONSOLIDATED STATEMENT OF ACTIVITIES	**4**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	**5**
CONSOLIDATED STATEMENT OF CASH FLOWS	**6**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	**7 - 11**

Turlington and Company, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Welcome Home Angel, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Welcome Home Angel, Inc. and Subsidiary 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Welcome Home Angel, Inc. and Subsidiary 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued or within one year after the date that the consolidated financial statements are available to be issued, when applicable.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

509 East Center Street • Post Office Box 1697 • Lexington, North Carolina 27293-1697
Office: 336-249-6856 • Facsimale: 336-248-8697

1338 Westgate Center Drive • Winston-Salem, North Carolina 27103
Office: 336-765-2410 • Facsimile: 336-765-6241

www.turlingtonandcompany.com

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Welcome Home Angel, Inc. and Subsidiary'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.

Turlington and Company, L.L.P.

Winston-Salem, North Carolina
June 3, 2024

WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS		
Current assets:		
Cash and equivalents	$	314,324
Accounts receivable		2,812
Grants receivable		65,000
Inventory		14,000
Prepaid expenses		486
		396,622
Noncurrent assets:		
Property and equipment, net		67,113
Refundable lease deposits		4,456
Operating lease right of use assets		127,507
		199,076
Total assets	$	595,698
LIABILITIES AND NET ASSETS		
Current liabilities:		
Operating lease obligation, current	$	50,824
Accounts payable		10,923
Accrued liabilities		15,750
		77,497
Noncurrent liabilities:		
Operating lease obligation, noncurrent		73,307
		150,804
Net assets:		
Without donor restrictions		379,894
With donor restrictions		65,000
		444,894
Total liabilities and net assets	$	595,698

The accompanying notes are an integral part of the consolidated financial statements

WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Public support:			
Grants and contributions	$ 107,408	$ 65,000	$ 172,408
Contributions of nonfinancial assets	76,720		76,720
Net assets released from restrictions	110,000	(110,000)	-
Total public support	294,128	(45,000)	249,128
Revenue:			
Special events	238,056		238,056
Investment income	9,800		9,800
Total revenue	247,856		247,856
Total public support and revenue	541,984	(45,000)	496,984
Expenses:			
Program services	430,783		430,783
Support services:			
Management and general	87,669		87,669
Fundraising	70,772		70,772
Total support services	158,441		158,441
Total expenses	589,224		589,224
Change in net assets from operations	(47,240)	(45,000)	(92,240)
Net assets at beginning of year, as adjusted	427,134	110,000	537,134
Net assets at end of year	$ 379,894	$ 65,000	$ 444,894

The accompanying notes are an integral part of the consolidated financial statements

WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Totals
Personnel costs	$ 200,180	$ 10,792	$ 10,792	$ 21,584	$ 221,764
Building contractors	70,326			-	70,326
Professional services	20,381	42,957	970	43,927	64,308
Bank and merchant fees		6,799	1,659	8,458	8,458
Building supplies and materials	60,389			-	60,389
Other direct program costs	4,483			-	4,483
Special events			54,844	54,844	54,844
Travel, meetings, and events	11,760	196	2,484	2,680	14,440
General operations	39,519	19,011	23	19,034	58,553
Insurance	3,604	1,201		1,201	4,805
Lease expense	20,141	6,713		6,713	26,854
	$ 430,783	$ 87,669	$ 70,772	$ 158,441	$ 589,224

The accompanying notes are an integral part of the consolidated financial statements

WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets	($ 92,240)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	11,922
Donation of property and equipment	(39,653)
Changes in assets and liabilities:	
Accounts receivable	175
Grants receivable	(65,000)
Inventories	6,955
Prepaid expenses	3,210
Refundable lease deposits	(4,456)
Accounts payable	(10,172)
Accrued expenses	9,592
Operating lease obligation	(3,376)
Agency liability	(12,800)
Net cash used for operating activities	(195,843)
Cash flows from investing activities:	
Purchase of property and equipment	(39,382)
Net decrease in cash and equivalents	(235,225)
Cash and equivalents at beginning of year	549,549
Cash and equivalents at end of year:	$ 314,324
Supplemental noncash activity:	
Increase in operating lease obligations through acquisition of operating lease right of use assets	$ 156,244
Noncash investing and financing activity:	
Increase in property and equipment through contributions of nonfinancial assets	$ 39,653

The accompanying notes are an integral part of the financial statements

1. Description of Organization:

Welcome Home Angel, Inc. is a nonprofit corporation that was organized in 2007. Welcome Home Angel, Inc.'s mission is to bring relief and joy to families and children with life-altering health conditions by providing functional space transformations that improve quality of life, give comfort, and speed recovery.

The Organization intends to establish chapters across the United States and spread its mission nationwide. The first of these chapters, Welcome Home Angel Illinois, LLC, was established in April 2023. Welcome Home Angel, Inc. is the sole member of Welcome Home Angel Illinois, LLC. The accompanying consolidated financial statements include the accounts of Welcome Home Angel, Inc. and Welcome Home Angel Illinois, LLC (hereinafter referred to collectively as the Organization). All material intercompany transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies:

These consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America, with the more significant of these principles described as follows:

The Organization records resources for accounting and reporting purposes into two net asset categories: net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions.

> *Net assets without donor restrictions* - Net assets without donor restrictions are available for any purpose consistent with the Organization's mission. From time-to-time, the Organization's Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.
>
> *Net assets with donor restrictions* - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. When a restriction expires, the net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as released from restrictions. Some net assets may include donor-imposed restrictions that the assets be held in perpetuity, while permitting the Organization to expend the income generated by those assets.

Cash and cash equivalents, as stated for cash flow purposes, consists of interest and noninterest bearing cash accounts with original maturities of three months or less.

Accounts and grants receivable are stated at unpaid balances less an allowance for doubtful accounts, when appropriate. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on prior experience and other circumstances, which may affect the ability of donors and other third parties to meet their obligations. It is the Organization's policy to charge off receivables when management determines the receivable will not be collected. The Organization has determined that an allowance for doubtful accounts is not necessary at December 31, 2023 based on the nature of its receivables.

2. Summary of Significant Accounting Policies (Continued):

The Organization accounts for contributions in accordance with ASC 958-605, *Contributions Received*. Contributions, including unconditional promises to give, are recognized as income in the period received. Contributions received are recorded as an increase in either net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the income is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received for which the donor receives commensurate value are accounted for as exchange transactions and the related revenues are recognized under ASC 606, *Revenue from Contracts with Customers*. Contributions received that are subject to certain barriers are treated as conditional contributions and are recognized as income in the period in which those barriers have been satisfied, which may differ from the time at which the contribution is made.

Purchases of property and equipment of a significant value and with an expected useful life greater than one year are capitalized at cost. Major renewals and betterments that extend the useful lives of property and equipment are capitalized at cost if purchased or fair market value if contributed. Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Depreciation is computed by use of the straight-line method over the estimated useful lives of the underlying assets, which range from three to ten years.

The Organization's inventories consist of donated furnishings and materials that are used for its programming. These inventories are valued at estimated fair market value on the date of donation.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash and other assets that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. At that time, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions. During 2023, the Organization received certain contributed furniture and fixtures that are further discussed in Note 7.

The requirements for the recognition of contributed services in the consolidated financial statements are set forth in ASC 958-605, *Contributions Received*. Donated services should be recorded when (1) they create or enhance non-financial assets, or (2) they require specialized skills provided by individuals possessing those skills and are services that would typically be purchased if not provided by donation. During 2023, the Organization received certain contributed services that met these criteria, including branding and marketing services and construction services related to its programming. See Note 7.

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are directly attributable to a functional area are directly assigned to that area. Other costs are allocated to the functional areas using reasonable bases that are consistently applied, including either time or effort expended, usage of space, revenues, or other allocation bases.

The Organization recognizes tax benefits from uncertain tax positions at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority.

2. Summary of Significant Accounting Policies (Continued):

The Organization accounts for its leasing activities in accordance with ASC 842, *Leases*. Under ASC 842, all leases, with limited exceptions, are recognized on the consolidated statement of financial position as right of use assets and related lease obligations. The Organization classifies its leases as either operating leases or finance leases depending on the nature and terms of the agreements. Operating lease expense is recognized on a straight-line basis over the lease term whereas finance lease expense includes components of interest related to the accretion of the finance lease obligation, and amortization related to the finance lease right of use assets. The Organization has elected to apply the short-term lease exception whereby right of use assets and lease obligations pertaining to leases with an original term of less than 12 months are not reflected in the consolidated statement of financial position. Further, the Organization has elected to use the risk-free discount rate in value lease obligations for certain asset classes, including office space. See Note 9 for additional information regarding the Organization's leasing activities.

The Organization initially adopted ASC 326, *Financial Instruments - Credit Losses*, effective January 1, 2023. ASC 326 generally provides that an allowance for credit losses, which includes all expected losses during the life of the financial asset, should be reflected upon initial recognition of the financial asset and the allowance should be revalued at each reporting period based on historical, current, and future facts and circumstances. Certain financial assets held by the Organization, including accounts and grants receivable, fall within the scope of ASC 326. The adoption of ASC 326 did not have a material effect on the Organization's consolidated financial statements as both historical write-offs and expected future credit losses are minimal based on the nature of these financial assets and the parties from whom those amounts are due.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. **Concentrations:**

The Organization places its cash and cash equivalents on deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits held in noninterest-bearing transaction accounts are aggregated with interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to at least $250,000. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limit. As of December 31, 2023, the Organization had deposits of $11,679 in excess of the insured limit.

4. Liquidity and Availability of Resources:

The Organization's financial assets that are available for general expenditure within one year of December 31, 2023 are as follows:

Total financial assets available within one year:	
Cash and equivalents	$ 314,324
Accounts receivable	2,812
Grants receivable	65,000
	382,136
Less, amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	65,000
Total financial assets available for general expenditures within one year	$ 317,136

The Organization's policy is to structure its financial assets in such a manner to be available for general expenditures as the obligations come due.

5. Property and Equipment:

Property and equipment consisted of the following at December 31, 2023:

Furniture and fixtures	$	42,944
Office equipment		34,754
Leasehold improvements		1,337
		79,035
Less, accumulated depreciation		11,922
	$	67,113

Depreciation expense amounted to $11,922 for the year ended December 31, 2023.

6. Restricted Net Assets:

The nature of restricted net assets as of December 31, 2023 is as follows:

Use restriction:		
Program participant room renovation costs	$	59,000
Specified personnel costs		5,000
Professional evaluation costs		1,000
	$	65,000

A summary of net assets released from restrictions during the year ended December 31, 2023 is as follows:

Satisfaction of use restrictions through incurrence of program expenditures	$	110,000

7. Contributed Nonfinancial Assets:

The Organization's contributed nonfinancial assets recognized in the consolidated statement of activities were as follows for the year ended December 31, 2023:

Programmatic construction services and related materials	$	18,567
Branding and marketing services		18,500
Furniture and fixtures		39,653
	$	76,720

These donations did not include donor-imposed restrictions. Contributed services were valued based on standard billing rates for the services provided. Contributed furniture and fixtures were valued based on current replacement costs.

The principal market for determining the fair value of contributed nonfinancial assets is the market in which the Organization would sell the assets in an orderly transaction between market participants at the date of donation.

The contributed services and furniture and fixtures are utilized by the Organization for various program and administrative functions rather than monetized.

8. Income Tax Status:

Welcome Home Angel, Inc. has been determined to be exempt from income taxes under Code Section 501(c)(3) of the Internal Revenue Code. In addition, Welcome Home Angel, Inc. qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code. Annual information returns are filed as required. Welcome Home Angel Illinois, LLC is considered a disregarded entity for federal income tax purposes.

8. Income Tax Status (Continued):

The Organization has determined that it has no uncertain income tax positions as of December 31, 2023. Also, the Organization does not anticipate any increase or decrease in unrecognized tax benefits during the next twelve months that would result in a material change in its financial position. The Organization's income tax returns for years ended after December 31, 2020 remain open for examination.

The Organization includes interest and penalties in the consolidated financial statements as a component of income tax expense. No interest or penalties are included in the Organization's consolidated financial statements for the year ended December 31, 2023.

9. Leases:

The Organization leases office space under an agreement that qualifies as an operating lease under ASC 842. The lease provides for monthly payments of $4,456 and the payments are scheduled to increase by 3% annually at the lease anniversary date. The lease is scheduled to expire in April 2026. The lease agreement includes a renewal option of three years at the lease termination date; however, the Organization is uncertain as to whether this option will be exercised and thus the lease term used to value the original lease obligation is three years. The Organization has also executed certain sublease agreements with unrelated tenants related to this office space. The sublease agreements include terms of six months and monthly payments ranging from $185 to $1,600.

Future minimum payments under the Organization's lease agreements are as follows:

Year Ended December 31	Amount
2024	$ 54,545
2025	56,181
2026	18,910
Total lease payments	129,636
Less, present value discount	5,505
	$ 124,131

A summary of lease expense for the year ended December 31, 2023 is as follows:

Operating lease expense	$ 36,730
Less, sublease income	9,876
	$ 26,854

The discount rate used to value the operating lease obligation was 3.73% and the remaining lease term at December 31, 2023 was 2.33 years.

10. Subsequent Events:

The Organization has evaluated all subsequent events through June 3, 2024, the date the consolidated financial statements were available to be issued. No other events were identified that would require adjustment of or disclosure in the accompanying consolidated financial statements.