

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
Wilmington, North Carolina
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Year Ended
December 31, 2024

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of Welcome Home Angel, Inc. and Subsidiary (a not-for-profit organization), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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 related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Turlington and Company, L.L.P.

Winston-Salem, North Carolina
June 27, 2025

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS

Current assets:	
Cash and equivalents	\$ 344,680
Unconditional promises to give	7,500
Sales tax refunds receivable	5,451
Inventory	17,971
Prepaid expenses	2,009
	<u>377,611</u>
Noncurrent assets:	
Property and equipment, net	84,876
Refundable lease deposits	4,456
Operating lease right of use assets	71,676
	<u>161,008</u>
Assets of discontinued operations	<u>510</u>
Total assets	<u><u>\$ 539,129</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Operating lease obligation, current	\$ 54,487
Accounts payable	8,851
Accrued liabilities	10,095
	<u>73,433</u>
Noncurrent liabilities:	
Operating lease obligation, noncurrent	14,230
	<u>87,663</u>
Net assets:	
Without donor restrictions	246,482
With donor restrictions	204,984
	<u>451,466</u>
Total liabilities and net assets	<u><u>\$ 539,129</u></u>

The accompanying notes are an integral part of the consolidated financial statements
See independent accountants' review report

WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Continuing operations:			
Operating activities:			
Public support:			
Grants and contributions	\$ 177,791	\$ 270,500	\$ 448,291
Contributions of nonfinancial assets	38,879		38,879
Net assets released from restrictions	130,516	(130,516)	-
Total public support from continuing operations	<u>347,186</u>	<u>139,984</u>	<u>487,170</u>
Revenue:			
Special events	133,027		133,027
Rental income	26,696		26,696
Investment income	6,204		6,204
Total revenue from continuing operations	<u>165,927</u>		<u>165,927</u>
Total public support and revenue from continuing operations	<u>513,113</u>	<u>139,984</u>	<u>653,097</u>
Expenses:			
Program services	<u>431,228</u>		<u>431,228</u>
Support services:			
Management and general	140,579		140,579
Fundraising	<u>77,870</u>		<u>77,870</u>
Total support services	<u>218,449</u>		<u>218,449</u>
Total expenses from continuing operations	<u>649,677</u>		<u>649,677</u>
Change in net assets from continuing operations	(136,564)	139,984	3,420
Discontinued operations:			
Results of operations from discontinued subsidiary	<u>3,152</u>		<u>3,152</u>
Change in net assets	(133,412)	139,984	6,572
Net assets at beginning of year	<u>379,894</u>	<u>65,000</u>	<u>444,894</u>
Net assets at end of year	<u>\$ 246,482</u>	<u>\$ 204,984</u>	<u>\$ 451,466</u>

The accompanying notes are an integral part of the consolidated financial statements
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WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

		Support Services			
	Program Services	Management and General	Fundraising	Total	Totals
Personnel costs	\$ 242,268	\$ 24,508	\$ 29,106	\$ 53,614	\$ 295,882
Building contractors	14,728			-	14,728
Professional services	15,702	77,170	1,559	78,729	94,431
Bank and merchant fees		18	5,190	5,208	5,208
Building supplies and materials	61,655			-	61,655
Other direct program costs	25,672			-	25,672
Special events			40,965	40,965	40,965
Travel, meetings, and events	16,952	56	857	913	17,865
General operations	9,150	23,793	193	23,986	33,136
Insurance	3,780	1,260		1,260	5,040
Lease expense	41,321	13,774		13,774	55,095
	<u>\$ 431,228</u>	<u>\$ 140,579</u>	<u>\$ 77,870</u>	<u>\$ 218,449</u>	<u>\$ 649,677</u>

The accompanying notes are an integral part of the consolidated financial statements
See independent accountants' review report

WELCOME HOME ANGEL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2024

Cash flows from operating activities:	
Change in net assets from continuing operations	\$ 3,420
Change in net assets from discontinued operations	3,152
Adjustments to reconcile change in net assets to net cash provided by operating activities from continuing operations:	
Depreciation	19,737
Changes in assets and liabilities:	
Unconditional promises to give	57,500
Sales tax refunds receivable	(2,639)
Inventories	(3,971)
Prepaid expenses	(1,523)
Accounts payable	(2,072)
Accrued expenses	(5,655)
Operating lease obligation	<u>417</u>
Net cash provided by operating activities from continuing operations	65,214
Net cash provided by operating activities from discontinued operations	<u>3,152</u>
Net cash provided by operating activities	<u>68,366</u>
Cash flows from investing activities from continuing operations:	
Purchase of property and equipment	(<u>37,500</u>)
Net increase in cash and equivalents from continuing operations	33,296
Net decrease in cash and equivalents from discontinued operations	(<u>2,430</u>)
	30,866
Cash and equivalents at beginning of year	<u>314,324</u>
Cash and equivalents at end of year (1)	<u><u>\$ 345,190</u></u>

(1) Cash and equivalents at end of year includes \$510 in cash held for discontinued operations

The accompanying notes are an integral part of the financial statements
See independent accountants' review report

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2024

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 as a single-member limited liability company, with Welcome Home Angel, Inc. as its sole member. In August 2024, Welcome Home Angel, Inc.'s Board of Directors voted to dissolve the operations of Welcome Home Angel Illinois, LLC. See Note 11.

As a result of the decision to discontinue operations and wind down the activity of Welcome Home Angel Illinois, LLC, its operating results and cash flows are reported as discontinued operations in the accompanying consolidated financial statements in accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*.

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 credit losses, 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 credit losses is not necessary at December 31, 2024 based on the nature of its receivables.

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 with an expected useful life greater than one year and for an amount greater than \$1,000 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.

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.

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.

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 10 for additional information regarding the Organization's leasing activities.

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, 2024, the Organization had deposits of \$37,154 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, 2024 are as follows:

Total financial assets available within one year:	
Cash and equivalents	\$ 344,680
Unconditional promises to give	7,500
Sales tax refunds receivable	<u>5,451</u>
Total financial assets available within one year	357,631
Less, amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	<u>204,984</u>
Total financial assets available for general expenditures within one year	<u>\$ 152,647</u>

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. Unconditional Promises to Give:

The Organization's unconditional promises to give consist of pledges made by donors that were not collected as of December 31, 2024. These amounts total \$7,500, are not subject to donor purpose or time restrictions, and are expected to be collected within one year.

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Property and Equipment:

Property and equipment consisted of the following at December 31, 2024:

Furniture and fixtures	\$ 42,944
Office equipment	34,754
Leasehold improvements	1,337
Vehicles	<u>37,500</u>
	116,535
Less, accumulated depreciation	<u>31,659</u>
	<u>\$ 84,876</u>

Depreciation expense amounted to \$19,737 for the year ended December 31, 2024.

7. Net Assets with Donor Restrictions:

The nature of net assets with donor restrictions as of December 31, 2024 is as follows:

Use restriction:

Program participant room renovation costs	\$ 70,482
Aging in Place initiative	<u>134,502</u>
	<u>\$ 204,984</u>

A summary of net assets released from restrictions during the year ended December 31, 2024 is as follows:

Satisfaction of use restrictions through incurrence of program expenditures	<u>\$ 130,516</u>
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8. 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, 2024:

Programmatic construction materials and services	\$ 24,998
Professional services	4,866
Expendable furniture and fixtures	<u>9,015</u>
	<u>\$ 38,879</u>

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.

9. 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.

WELCOME HOME ANGEL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Income Tax Status (Continued):

The Organization has determined that it has no uncertain income tax positions as of December 31, 2024. 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, 2021 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, 2024.

10. 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 \$420 to \$653.

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

<u>Year Ended December 31</u>	<u>Amount</u>
2025	\$ 56,181
2026	18,910
Total lease payments	75,091
Less, present value discount	6,374
	<u>\$ 68,717</u>

Total operating lease expense for the year ended December 31, 2024 \$55,095.

The discount rate used to value the operating lease obligation was 3.73% and the remaining lease term at December 31, 2024 was 1.33 years.

11. Discontinued Operations:

As described in Note 1, the operations of Welcome Home Angel Illinois, LLC was dissolved and discontinued in August 2024 due to ongoing challenges with program delivery in the Illinois market.

The results of its operations for the year ended December 31, 2024 consisted of income from contributions and special events totaling \$3,152. As of December 31, 2024, assets held for discontinued operations consisted solely of cash and equivalents and totaled \$510.

12. Subsequent Events:

The Organization has evaluated all subsequent events through June 27, 2025, 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.