



AFFINITY MENTORING

FINANCIAL STATEMENTS

With Independent Auditor's Report

June 30, 2018 and 2017

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AFFINITY MENTORING

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Affinity Mentoring
Grandville, Michigan**

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying statements of financial position of Affinity Mentoring (a nonprofit organization), as of June 30, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

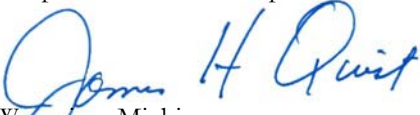
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Affinity Mentoring of June 30, 2018 and 2017 and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements are those of Affinity Mentoring, an organization controlled by Mars Hill Bible Church, and are not those of the primary reporting entity. Consolidated financial statements of Mars Hill Bible Church, 20 Liters, Affinity Mentoring and Grand Rapids HQ as of June 30, 2018 and 2017 and for the years then ended with an independent auditor's report are to be issued separately.


Wyoming, Michigan
December 5, 2018

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AFFINITY MENTORING

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Cash	\$ 63,168	\$ 63,391
Accounts receivable	10,221	2,528
Prepaid expenses	650	-
	74,039	65,919
Property and equipment		
Website development	8,588	8,588
Accumulated depreciation	(5,499)	(2,636)
	3,089	5,952
Total Assets	\$ 77,128	\$ 71,871
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 17,932	\$ 18,703
Accrued payroll	3,503	3,430
Total Liabilities	21,435	22,133
Net Assets		
Unrestricted		
Undesignated	22,320	25,064
Designated	8,933	202
Investment in property and equipment	3,089	5,952
	34,342	31,218
Temporarily Restricted - Note 5		
Family engagement, mentor recruitment, screening and training and staff support	21,351	18,520
	55,693	49,738
Total Net Assets	55,693	49,738
Total Liabilities and Net Assets	\$ 77,128	\$ 71,871

See accompanying notes and independent auditor's report

AFFINITY MENTORING

Statements of Activities

For the Years Ended June 30,

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions - Note 5	\$ 183,018	\$ 40,000	\$ 223,018	\$ 199,254	\$ 25,000	\$ 224,254
Special event income	51,480	-	51,480	49,253	-	49,253
Gifts in kind	50,523	-	50,523	34,096	-	34,096
Total Support and Revenue	285,021	40,000	325,021	282,603	25,000	307,603
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions - Note 5	37,169	(37,169)	-	6,480	(6,480)	-
EXPENSES						
Program services	182,394	-	182,394	175,621	-	175,621
Management and general	57,166	-	57,166	33,946	-	33,946
Fund-raising	79,506	-	79,506	48,298	-	48,298
Total Expenses	319,066	-	319,066	257,865	-	257,865
Change in Net Assets	3,124	2,831	5,955	31,218	18,520	49,738
Net Assets, Beginning of Year	31,218	18,520	49,738	-	-	-
Net Assets, End of Year - Note 5	\$ 34,342	\$ 21,351	\$ 55,693	\$ 31,218	\$ 18,520	\$ 49,738

See accompanying notes and independent auditor's report

AFFINITY MENTORING

Statements of Functional Expenses

For the Years Ended June 30,

	2018				2017			
	Program Services	Management and General	Fund- Raising	Total	Program Services	Management and General	Fund- Raising	Total
Salaries and wages	\$ 103,802	\$ 27,015	\$ 31,553	\$ 162,370	\$ 100,894	\$ 13,451	\$ 20,181	\$ 134,526
Pension plan contributions	2,179	567	662	3,408	1,556	208	311	2,075
Other employee benefits	18,933	4,927	5,755	29,615	14,289	1,905	2,858	19,052
Payroll taxes	7,564	1,967	2,299	11,830	7,330	977	1,466	9,773
Professional services - legal	-	-	-	-	-	693	-	693
Professional services - accounting	-	9,362	-	9,362	-	-	-	-
Professional services - other	1,212	2,952	984	5,148	3,262	10,210	3,262	16,734
Advertising and promotion	237	-	238	475	1,698	-	1,697	3,395
Office expenses	1,912	2,439	846	5,197	-	4,168	-	4,168
Information technology	3,482	1,236	1,755	6,473	2,850	861	1,292	5,003
Occupancy	21,097	5,490	6,413	33,000	9,957	1,328	1,991	13,276
Travel	498	130	151	779	1,087	145	217	1,449
Depreciation	1,431	-	1,432	2,863	1,318	-	1,318	2,636
Insurance	2,921	1,081	-	4,002	-	-	-	-
Program supplies	6,906	-	-	6,906	19,064	-	-	19,064
Events	10,220	-	27,418	37,638	12,316	-	13,705	26,021
Total Expenses	<u>\$ 182,394</u>	<u>\$ 57,166</u>	<u>\$ 79,506</u>	<u>\$ 319,066</u>	<u>\$ 175,621</u>	<u>\$ 33,946</u>	<u>\$ 48,298</u>	<u>\$ 257,865</u>

See accompanying notes and independent auditor's report

AFFINITY MENTORING

Statements of Cash Flows

	For the Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,955	\$ 49,738
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Contribution of property and equipment	-	(8,588)
Depreciation	2,863	2,636
Change in:		
Accounts receivable	(7,693)	(2,528)
Prepaid expenses	(650)	-
Accounts payable	(771)	18,703
Accrued payroll	73	3,430
	(223)	63,391
Net Cash (Used) Provided by Operating Activities	(223)	63,391
Change in Cash	(223)	63,391
Cash, Beginning of Year	63,391	-
Cash, End of Year	\$ 63,168	\$ 63,391

SUPPLEMENTAL INFORMATION

During the year ended June 30, 2017, AM's website was created via donated professional services having an estimated value of \$7,908, which was capitalized and is being depreciated over an estimated useful life of three years.

See accompanying notes and independent auditor's report

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION

Affinity Mentoring (AM) is a mentoring program to connect students with caring adults. The mentors meet the children at schools one hour per week to offer encouragement and improve students' academic skills, social-emotional skills and self-esteem. As the volunteer mentors enter into supportive and caring relationships with students, there is a transformation, beginning with simple changes in attitude and behavior that can truly change a child's life. AM was founded by Mars Hill Bible Church (MHBC) in April 2016.

AM was incorporated under the laws of the state of Michigan to operate as a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (code). It is exempt from federal and state income taxes, and contributions by the public are deductible within the limitations prescribed by the code. AM has been classified as a public organization that is not a private foundation under Section 509(a) of the code.

AM's revenues consist primarily of contributions from donors.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

CASH

Cash consists of a checking account and a credit card depository account. Balances in these accounts may at times exceed federally insured limits. AM has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk.

ACCOUNTS RECEIVABLE

Accounts receivable represents contributions received by MHBC for AM but not forwarded to AM before the fiscal year end.

PROPERTY AND EQUIPMENT

Property and equipment is reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$2,500 and having estimated useful lives of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$2,863 and \$2,636 for the years ended June 30, 2018 and 2017, respectively.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

NET ASSETS

The financial statements report amounts by class of net assets as follows:

UNRESTRICTED NET ASSETS are those currently available for operational purposes under the direction of the board (undesignated net assets) and those designated by the board for specific use.

TEMPORARILY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations that may or will be met either by actions of AM or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. To date AM has received no temporarily restricted contributions.

PERMANENTLY RESTRICTED NET ASSETS result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the AM board or its management. To date AM has received no permanently restricted contributions.

SUPPORT AND REVENUE

Contributions are recorded when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Including grants totaling \$138,452 and \$175,251 from MHBC for the years ended June 30, 2018 and 2017, approximately 60 and 71 percent of contributions received by AM during the respective years ended June 30, 2018 and 2017 were received from the five highest donors.

Contributions of assets other than cash and services are reported at their estimated fair value. AM reports donations of property and equipment as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

All other revenues are recorded when earned.

GIFTS IN KIND

During the years ended June 30, 2018 and 2017, AM received various donated items having an estimated value of \$15,763 and \$12,928, respectively. AM was provided with office space by MHBC having an estimated fair rental value of \$12,000 for both years ended June 30, 2018 and 2017. AM was provided with office space by a school having an estimated fair value of \$21,000 during the year ended June 30, 2018. During the year ended June 30, 2017, AM received and capitalized website development services provided by MHBC with an estimated fair value of \$7,908.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

For the years ended June 30, 2018 and 2017, contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$1,760 and \$1,260, respectively. These services included graphic design, photography and musical performance for the year ended June 30, 2018 and graphic design for the year ended June 30, 2017.

During the years ended June 30, 2018 and 2017, 258 and 210 individuals served as volunteers, providing 7,620 and 6,280 hours of mentoring services on behalf of AM, respectively. For the years ended June 30, 2018 and 2017, management estimates the total value of volunteer services to be approximately \$175,260 and \$144,440, respectively. However, the value of these services is not reflected in the financial statements because the services do not meet the definition of donated professional services under generally accepted accounting principles. Volunteers participate in mentoring services.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred. The cost of providing the various program services and supporting activities have been presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities, benefiting from those expenditures.

RECLASSIFICATIONS

Certain reclassifications, specifically changes in the functional allocation of expenses, have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported activities or net assets.

3. PENSION

AM provides a 403(b) retirement plan for eligible employees. AM contributes the equivalent of 1 percent of salaries and wages for employees who work more than thirty hours per week and have been employed for at least six months.

In addition, AM matches 50 percent of employee contributions based on employee tenure as follows:

<u>Years of Service</u>	<u>Percent of Compensation</u>
6 months to 3 years	4
4 - 5 years	6
6 - 7 years	8
8 years or more	10

AM paid \$3,408 and \$2,075 for matching contributions during the years ended June 30, 2018 and 2017, respectively.

4. RELATED PARTY TRANSACTIONS

In addition to use of office space noted under Gifts-In-Kind above, MHBC provided grants to AM totaling \$138,452 and \$175,251 during the fiscal year ended June 30, 2018 and 2017, including \$10,221 and \$2,528 due to AM from MHBC at June 30, 2018 and 2017, respectively. Included in accounts payable at June 30, 2018 and 2017 is \$17,712 and \$18,135 due to MHBC, respectively.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2018 and 2017

5. PRIOR YEAR CORRECTION

The financial statements as of and for the year ended June 30, 2017 have been retroactively restated to correct the omission of reporting temporarily restricted contributions and temporarily restricted net assets. Changes to the financial statements as of June 30, 2017 and for the year then ended are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Change in net assets for the year ended June 30, 2017 as originally reported	\$ 49,738	\$ -	\$ 49,738
Correct contributions that should have been reported as temporarily restricted	(25,000)	25,000	-
Correct temporarily restricted net assets released for satisfaction of purpose restrictions during the year ended June 30, 2017	<u>6,480</u>	<u>(6,480)</u>	<u>-</u>
Change in net assets for the year ended June 30, 2017 as corrected and net assets at June 30, 2017 as corrected	<u>\$ 31,218</u>	<u>\$ 18,520</u>	<u>\$ 49,738</u>

6. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through December 5, 2018, the date these financial statements were available to be issued. No such significant events or transactions were identified.