



AFFINITY MENTORING

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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AFFINITY MENTORING

Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

**Board of Directors
Affinity Mentoring
Grand Rapids, Michigan**

We have reviewed the accompanying statements of financial position of Affinity Mentoring (a nonprofit organization), as of June 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements. A review includes applying primarily analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 of 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 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.

ACCOUNTANTS' CONCLUSION

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

PRIOR YEAR CORRECTION

As part of our review of the financial statements as of for the year ended June 30, 2020, we also reviewed the adjustments described in Note 8 that were applied to restate the financial statements as of and for the year ended June 30, 2019. Based on our review, we are not aware of any material modifications that should be made to the adjustments described in Note 8 that were applied to restate the financial statements as of and for the year ended June 30, 2019 in order for them to be in accordance with accounting principles generally accepted in the United States of America.


Wyoming, Michigan
December 10, 2020

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AFFINITY MENTORING

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash	\$ 147,025	\$ 80,274
Accounts receivable	7,753	2,148
Contributions receivable	155,000	125,000
Prepaid expense	5,800	1,579
	315,578	209,001
Intangible assets		
Website development	8,588	8,588
Accumulated amortization	(8,588)	(8,362)
	-	226
Total Assets	\$ 315,578	\$ 209,227
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,834	\$ 3,844
Accrued payroll and related liabilities	22,051	23,340
Loan payable	45,947	-
Total Liabilities	69,832	27,184
Net Assets - Note 8		
Without donor restrictions		
Undesignated	(16,203)	(8,799)
Designated - operating reserves	-	20,443
Investment in property and equipment	-	226
	(16,203)	11,870
With donor restrictions	261,949	170,173
Total Net Assets	245,746	182,043
Total Liabilities and Net Assets	\$ 315,578	\$ 209,227

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Statements of Activities

For the Years Ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 137,552	\$ 232,750	\$ 370,302	\$ 105,608	\$ 95,750	\$ 201,358
Special event income	36,838	-	36,838	54,386	-	54,386
Gifts in kind	45,225	-	45,225	49,803	-	49,803
Interest income	14	-	14	-	-	-
Total Support and Revenue	<u>219,629</u>	<u>232,750</u>	<u>452,379</u>	<u>209,797</u>	<u>95,750</u>	<u>305,547</u>
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	140,974	(140,974)	-	121,928	(121,928)	-
EXPENSES						
Program	213,137	-	213,137	195,406	-	195,406
Management and general	76,718	-	76,718	61,287	-	61,287
Fund-raising	98,821	-	98,821	90,329	-	90,329
Total Expenses	<u>388,676</u>	<u>-</u>	<u>388,676</u>	<u>347,022</u>	<u>-</u>	<u>347,022</u>
Change in Net Assets	<u>(28,073)</u>	<u>91,776</u>	<u>63,703</u>	<u>(15,297)</u>	<u>(26,178)</u>	<u>(41,475)</u>
Net Assets, Beginning of Year						
As originally reported	11,870	170,173	182,043	8,647	214,871	223,518
Correction - Note 8	-	-	-	18,520	(18,520)	-
As corrected	<u>11,870</u>	<u>170,173</u>	<u>182,043</u>	<u>27,167</u>	<u>196,351</u>	<u>223,518</u>
Net Assets, End of Year	<u>\$ (16,203)</u>	<u>\$ 261,949</u>	<u>\$ 245,746</u>	<u>\$ 11,870</u>	<u>\$ 170,173</u>	<u>\$ 182,043</u>

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Statements of Functional Expenses

For the Years Ended June 30,

	2020				2019			
	Program	Management and General	Fund- Raising	Total	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 129,548	\$ 35,771	\$ 53,420	\$ 218,739	\$ 122,898	\$ 29,685	\$ 42,325	\$ 194,908
Pension plan contributions	2,214	945	1,412	4,571	2,704	653	931	4,288
Other employee benefits	11,774	3,251	4,855	19,880	4,105	835	1,190	6,130
Payroll taxes	11,276	3,114	4,650	19,040	11,177	2,700	3,850	17,727
Professional services - accounting	-	19,367	-	19,367	-	14,398	-	14,398
Professional services - fundraising	-	-	14,500	14,500	-	-	-	-
Professional services - other	1,684	-	-	1,684	604	-	-	604
Advertising and promotion	928	-	5,646	6,574	1,389	-	30,049	31,438
Office expenses	1,443	3,232	595	5,270	1,707	4,810	587	7,104
Information technology	4,018	1,505	2,257	7,780	4,286	1,573	2,345	8,204
Occupancy	25,674	7,147	10,913	43,734	20,808	5,026	7,166	33,000
Travel	1,116	308	460	1,884	1,320	319	454	2,093
Amortization	114	-	113	227	1,431	-	1,432	2,863
Insurance	5,618	2,078	-	7,696	3,482	1,288	-	4,770
Program supplies	11,588	-	-	11,588	7,038	-	-	7,038
Events	6,142	-	-	6,142	12,457	-	-	12,457
Total Expenses	<u>\$ 213,137</u>	<u>\$ 76,718</u>	<u>\$ 98,821</u>	<u>\$ 388,676</u>	<u>\$ 195,406</u>	<u>\$ 61,287</u>	<u>\$ 90,329</u>	<u>\$ 347,022</u>

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Statements of Cash Flows

	For the Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 63,703	\$ (41,475)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	226	2,863
Change in:		
Accounts receivable	(5,605)	8,073
Contributions receivable	(30,000)	50,000
Prepaid expense	(4,221)	(929)
Accounts payable	(2,010)	(14,088)
Accrued payroll and related liabilities	(1,289)	12,662
Net Cash Provided by Operating Activities	20,804	17,106
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	45,947	-
Net Cash Provided by Financing Activities	45,947	-
Change in Cash	66,751	17,106
Cash, Beginning of Year	80,274	63,168
Cash, End of Year	\$ 147,025	\$ 80,274

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2020 and 2019

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 and became an independent organization as of July 1, 2019.

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.

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized as income when made and reported at realizable value based upon estimated future cash flows. Unconditional promises to give expected to be collected within one year are reported at net realizable value because the present value of estimated cash flows approximates net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are expected to be received. This discount rate is based on yields of U.S. treasury bills corresponding to the timing of the contributions receivable. Amortization of the discount is included in contributions revenue in the statements of activities. Management believes all contributions receivable balances are fully collectible at both June 30, 2020 and 2019; there is, therefore no allowance for doubtful promises to give.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued

PREPAID EXPENSE

Prepaid expense at June 30, 2020 and 2019 consists of insurance premium payments which have been paid prior to the end of the fiscal year but which benefit the following fiscal year.

INTANGIBLE ASSETS

Intangible assets are reported at cost, estimated cost or fair value. Expenditures for intangible assets in excess of \$1,000 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. Amortization is reported using the straight-line method over the estimated useful lives of the assets. Amortization expense was \$226 and \$2,862 for the years ended June 30, 2020 and 2019, respectively.

NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as reported as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. During the year ended June 30, 2020, the governing board released from designation funds that had been previously designated for operating reserves.

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

SUPPORT AND REVENUE

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

All other revenues are recorded when earned.

GIFTS IN KIND

During the years ended June 30, 2020 and 2019, AM received various donated items having an estimated value of \$2,225 and \$16,353, respectively. During the years ended June 30, 2020 and 2019, AM was provided with office space by MHBC having an estimated fair rental value of \$11,000 and \$12,000, respectively. During the years ended June 30, 2020 and 2019, AM was provided with office space by a schools having an estimated fair value of \$32,000 and \$21,000, respectively.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

For the years ended June 30, 2020 and 2019, contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$-0- and \$450, respectively. These services included photography for the year ended June 30, 2019.

During the years ended June 30, 2020 and 2019, 278 and 255 individuals served as volunteers, providing 6,129 and 8,415 hours of mentoring services on behalf of AM, respectively, having an estimated total value of approximately \$144,645 and \$193,545, 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, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. At AM, the methods used to allocate costs among program and support functions vary depending upon the nature of the expense category. Compensation related expenses are allocated based on proportional estimates of paid time spent in each functional area of performance. Occupancy and amortization costs are allocated to each functional area based on proportional estimates of facility and intangible asset usage. Other expenses are allocated based on the guidelines defining the nature of the program, management or fund-raising expenses and the associated estimates of time and effort.

LIQUIDITY AND AVAILABILITY

AM has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	June 30,	
	2020	2019
Cash	\$ 147,025	\$ 80,274
Accounts receivable	7,753	2,148
Contributions receivable	105,000	100,000
Less:		
Board-designated net assets	-	(20,443)
Net assets with donor restrictions	(261,949)	(170,173)
	<u>\$ (2,171)</u>	<u>\$ (8,194)</u>

AM maintains a bank checking account for liquidity management.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2020 and 2019

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019 consist of promises to give from three and two entities, respectively and are reported at realizable value, which approximates present value. See Note 2 for a description of the accounting policy for contributions receivable. Contributions receivable are expected to be collected as follows:

Year Ending June 30,	
2021	\$ 105,000
2022	50,000
	<u>\$ 155,000</u>

4. LOAN PAYABLE

Loan payable consists of a Federal Paycheck Protection Program loan dated April 2020 with a fixed interest rate of 1.0 percent per annum effective February 2021, to be repaid in eighteen monthly payments of \$2,586 beginning February 2021 and final payment due July 2022; the loan is forgivable if proceeds are used for qualifying expenses.

Future maturities of long-term debt are as follows:

Year Ending June 30,	
2021	\$ 12,797
2022	30,839
2023	2,311
	<u>\$ 45,947</u>

5. CONCENTRATION

For the years ended June 30, 2020 and 2019, the top five donors provided approximately 70 and 46 percent of total contributions, respectively.

6. PENSION PLAN

Effective July 1, 2019, AM provides a SIMPLE IRA retirement plan for employees who make at least \$5,000 a year. AM matches employee contributions to the plan up to 3 percent of their compensation. Total contributions to the plan during the years ended June 30, 2020 and 2019 were \$4,571 and \$4,288, respectively.

7. RELATED PARTY TRANSACTIONS

In addition to the use of office space noted under Gifts-In-Kind above, MHBC provided contributions to AM totaling \$39,848 during the year ended June 30, 2019. Accounts receivable and contributions receivable due from MHBC at June 30, 2019 totaled \$2,148 and \$75,000, respectively.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2020 and 2019

8. NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	June 30, 2018	Contributions	Released From Restriction	June 30, 2019
Family engagement, mentor recruitment, screening and training and staff support - Note 8	\$ 196,351	\$ 95,750	\$ 121,928	\$ 170,173

	June 30, 2019	Contributions	Released From Restriction	June 30, 2020
Family engagement, mentor recruitment, screening and training and staff support	\$ 170,173	\$ 232,750	\$ 140,974	\$ 261,949

9. LEASE

In June 2020, AM entered into a twelve-month agreement to lease office space. The lease requires monthly payments of \$400. Future minimum rental payments under this agreement total \$4,400, all of which is payable during the fiscal year ending June 30, 2021.

10. PRIOR YEAR CORRECTION

The financial statements as of and for the year ended June 30, 2019 have been retroactively restated to reflect corrections to June 30, 2018 net assets. It was determined that all funds received from a multi-year grant had been fully expended by June 30, 2018 and therefore should have been released from restriction as of that date. The change to net assets at June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2018 net assets, as originally reported	\$ 8,647	\$ 214,871	\$ 223,518
Restricted net assets released for satisfaction of purpose restrictions during the year ended June 30, 2018	18,520	(18,520)	-
	\$ 27,167	\$ 196,351	\$ 223,518

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2020 and 2019

11. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through December 10, 2020, the date these financial statements were available to be issued.

The COVID-19 pandemic has cast uncertainty over virtually everything. Because of this uncertainty, AM applied for and received governmental financial assistance of \$45,947 from the federal Paycheck Protection Program in an effort to bolster cash flow as well as to continue to provide ongoing compensation to AM's employees. While the long-term effects of the pandemic could negatively affect AM's financial position, cash flows and results of activities, any such effects cannot be reasonably estimated at this time.