



AFFINITY MENTORING

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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AFFINITY MENTORING

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Affinity Mentoring (a nonprofit organization), as of June 30, 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 review, 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.

REPORT ON 2018 FINANCIAL STATEMENTS

The financial statements as of and for the year ended June 30, 2018 financial statements, prior to the restatement adjustments described below, were audited by us and we expressed an unmodified opinion on them in our report dated December 5, 2018. We have not performed any auditing procedures since that date.

REPORT ON RESTATEMENT ADJUSTMENTS TO 2018 FINANCIAL STATEMENTS

As part of our review of the financial statements as of for the year ended June 30, 2019, we also reviewed the adjustments as described in Note 8 that were applied to restate the financial statements as of and for the year ended June 30, 2018. 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, 2018 in order for them to be in accordance with accounting principles generally accepted in the United States of America.


Wyoming, Michigan
January 21, 2020

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AFFINITY MENTORING

Statements of Financial Position

	June 30,	
	2019	2018 (Audited)
ASSETS		
Cash	\$ 80,274	\$ 63,168
Accounts receivable	2,148	10,221
Contributions receivable	125,000	175,000
Prepaid expense	1,579	650
	<u>209,001</u>	<u>249,039</u>
Intangible assets		
Website development	8,588	8,588
Accumulated amortization	(8,362)	(5,499)
	<u>226</u>	<u>3,089</u>
Total Assets	<u>\$ 209,227</u>	<u>\$ 252,128</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 3,844	\$ 17,932
Accrued payroll and payroll-related liabilities	23,340	10,678
Total Liabilities	<u>27,184</u>	<u>28,610</u>
Net Assets		
Without donor restrictions		
Undesignated	(27,319)	(3,375)
Designated - operating reserves	20,443	8,933
Investment in property and equipment	226	3,089
	<u>(6,650)</u>	<u>8,647</u>
With Donor Restrictions - Note 8	188,693	214,871
Total Net Assets	<u>182,043</u>	<u>223,518</u>
Total Liabilities and Net Assets	<u>\$ 209,227</u>	<u>\$ 252,128</u>

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Statements of Activities

For the Years Ended June 30,

	2019			2018 (Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	SUPPORT AND REVENUE					
Contributions - Note 8	\$ 105,608	\$ 95,750	\$ 201,358	\$ 183,018	\$ 165,000	\$ 348,018
Special event income	54,386	-	54,386	51,480	-	51,480
Gifts in kind	49,803	-	49,803	50,523	-	50,523
Total Support and Revenue	<u>209,797</u>	<u>95,750</u>	<u>305,547</u>	<u>285,021</u>	<u>165,000</u>	<u>450,021</u>
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	<u>121,928</u>	<u>(121,928)</u>	<u>-</u>	<u>37,169</u>	<u>(37,169)</u>	<u>-</u>
EXPENSES						
Program services	195,953	-	195,953	186,981	-	186,981
Management and general	61,535	-	61,535	58,358	-	58,358
Fund-raising	89,534	-	89,534	80,902	-	80,902
Total Expenses	<u>347,022</u>	<u>-</u>	<u>347,022</u>	<u>326,241</u>	<u>-</u>	<u>326,241</u>
Change in Net Assets	(15,297)	(26,178)	(41,475)	(4,051)	127,831	123,780
Net Assets, Beginning of Year						
As originally reported	8,647	214,871	223,518	31,218	18,520	49,738
Corrections - Note 8	-	-	-	(18,520)	68,520	50,000
As corrected	<u>8,647</u>	<u>214,871</u>	<u>223,518</u>	<u>12,698</u>	<u>87,040</u>	<u>99,738</u>
Net Assets, End of Year - Note 8	<u>\$ (6,650)</u>	<u>\$ 188,693</u>	<u>\$ 182,043</u>	<u>\$ 8,647</u>	<u>\$ 214,871</u>	<u>\$ 223,518</u>

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Statements of Functional Expenses

For the Years Ended June 30,

	2019				2018 (Audited)			
	Program Services	Management and General	Fund- Raising	Total	Program Services	Management and General	Fund- Raising	Total
Salaries and wages - Note 8	\$ 123,482	\$ 29,796	\$ 41,630	\$ 194,908	\$ 108,389	\$ 28,207	\$ 32,949	\$ 169,545
Pension plan contributions	2,717	655	916	4,288	2,179	567	662	3,408
Other employee benefits	3,883	937	1,310	6,130	18,933	4,927	5,755	29,615
Payroll taxes	11,231	2,710	3,786	17,727	7,564	1,967	2,299	11,830
Professional services - accounting	-	14,398	-	14,398	-	9,362	-	9,362
Professional services - other	604	-	-	604	1,212	2,952	984	5,148
Advertising and promotion	1,389	-	1,389	2,778	237	-	238	475
Office expenses	1,715	4,812	577	7,104	1,912	2,439	846	5,197
Information technology	4,291	1,574	2,339	8,204	3,482	1,236	1,755	6,473
Occupancy	20,907	5,045	7,048	33,000	21,097	5,490	6,413	33,000
Travel	1,326	320	447	2,093	498	130	151	779
Amortization	1,431	-	1,432	2,863	1,431	-	1,432	2,863
Insurance	3,482	1,288	-	4,770	2,921	1,081	-	4,002
Program supplies	7,038	-	-	7,038	6,906	-	-	6,906
Events	12,457	-	28,660	41,117	10,220	-	27,418	37,638
Total Expenses	\$ 195,953	\$ 61,535	\$ 89,534	\$ 347,022	\$ 186,981	\$ 58,358	\$ 80,902	\$ 326,241

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Statements of Cash Flows

	<u>For the Years Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
		<u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (41,475)	\$ 123,780
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization	2,863	2,863
Change in:		
Accounts receivable	8,073	42,307
Contributions receivable	50,000	(175,000)
Prepaid expense	(929)	(650)
Accounts payable	(14,088)	(771)
Accrued payroll	12,662	7,248
Net Cash Provided (Used) by Operating Activities	<u>17,106</u>	<u>(223)</u>
Change in Cash	17,106	(223)
Cash, Beginning of Year	<u>63,168</u>	<u>63,391</u>
Cash, End of Year	<u>\$ 80,274</u>	<u>\$ 63,168</u>

See accompanying notes and independent accountants' review report

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018; there is, therefore no allowance for doubtful promises to give.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

PREPAID EXPENSE

Prepaid expense at June 30, 2019 and 2018 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 \$2,863 for both years ended June 30, 2019 and 2018.

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. The governing board has not designated any net assets without donor restrictions for specific purposes.

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, 2019 and 2018, AM received various donated items having an estimated value of \$16,353 and \$15,763, respectively. AM was provided with office space by MHBC having an estimated fair rental value of \$12,000 for both years ended June 30, 2019 and 2018. AM was provided with office space by a school having an estimated fair value of \$21,000 during the years ended June 30, 2019 and 2018.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

For the years ended June 30, 2019 and 2018, contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$450 and \$1,760, respectively. These services included photography for the year ended June 30, 2019 and graphic design, photography and musical performance for the year ended June 30, 2018.

During the years ended June 30, 2019 and 2018, 255 and 258 individuals served as volunteers, providing 8,415 and 7,620 hours of mentoring services on behalf of AM, respectively. For the years ended June 30, 2019 and 2018, management estimates the total value of volunteer services to be approximately \$193,545 and \$175,260, 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.

CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. AM has adopted ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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,	
	2019	2018
		(Audited)
Cash	\$ 80,274	\$ 63,168
Accounts receivable	2,148	10,221
Contributions receivable	125,000	175,000
Less:		
Designated net assets	(20,443)	(8,933)
Net assets with donor restrictions	<u>(188,693)</u>	<u>(214,871)</u>
	<u>\$ (1,714)</u>	<u>\$ 24,585</u>

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019 and 2018 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,	
2019	\$ 100,000
2020	<u>25,000</u>
	<u>\$ 125,000</u>

4. CONCENTRATION

For the years ended June 30, 2019 and 2018, the top five donors provided approximately 38 and 66 percent of total contributions, respectively.

5. PENSION PLANS

Effective July 1, 2019, AM began providing 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 year ended June 30, 2019 were \$4,288.

For the year ended June 2018, AM provided a 403(b) retirement plan for eligible employees. AM contributed 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.

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2019 and 2018

5. PENSION PLANS, continued

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

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

Total contributions to the plan during the year ended June 30, 2018 were \$3,408.

6. 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 and \$288,452 during the years ended June 30, 2019 and 2018, respectively. Accounts receivable due from MHBC at June 30, 2019 and 2018 totaled \$2,148 and \$10,221, respectively. Contributions receivable due from MHBC at June 30, 2019 and 2018 totaled \$75,000 and \$150,000, respectively. Accounts payable due to MHBC at June 30, 2019 and 2018 totaled \$-0- and \$17,712, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	June 30, 2017	Contributions	Released From Restriction	June 30, 2018
Family engagement, mentor recruitment, screening and training and staff support	\$ 87,040	\$ 165,000	\$ 37,169	\$ 214,871
	June 30, 2018	Contributions	Released From Restriction	June 30, 2019
Family engagement, mentor recruitment, screening and training and staff support	\$ 214,871	\$ 95,750	\$ 121,928	\$ 188,693

AFFINITY MENTORING

Notes to Financial Statements

June 30, 2019 and 2018

8. PRIOR YEAR CORRECTIONS

The financial statements as of and for the years ended June 30, 2018 have been retroactively restated to correct the omission of reporting multi-year grants as contributions receivable in the year the commitment was made by the granting entity and to correct expenses for accrued compensated absences at June 30, 2018. Changes to the financial statements as of June 30, 2018 and for the year then ended are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Change in net assets for the year ended June 30, 2017 as originally reported	\$ 31,218	\$ 18,520	\$ 49,738
Correct contributions that should have been reported as contributions with donor restrictions	(25,000)	75,000	50,000
Correct net assets released for satisfaction of purpose restrictions during the year ended June 30, 2017	6,480	(6,480)	-
Net assets at June 30, 2017 as corrected	12,698	87,040	99,738
Change in net assets for the year ended June 30, 2018 as originally reported	3,124	2,831	5,955
Correct contributions that should have been reported as contributions with donor restrictions	-	125,000	125,000
Correct expenses for compensated absences accrued as of June 30, 2018	(7,175)	-	(7,175)
Change in net assets for the year ended June 30, 2018 as corrected	(4,051)	127,831	123,780
Net assets at June 30, 2018 as corrected	\$ 8,647	\$ 214,871	\$ 223,518

9. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through January 21, 2020, the date these financial statements were available to be issued. No such significant events or transactions were identified.