



**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of Affinity Mentoring  
Grand Rapids, MI

We have reviewed the accompanying financial statements of Affinity Mentoring (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity 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.

The financial statements of Affinity Mentoring as of June 30, 2020 were reviewed by other accountants whose report dated December 10, 2020, stated that based on their procedures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### **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.

### **Accountant's 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.

## **Accountant's 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.

Morgan & Associates CPAs + Advisors

*William T Morgan CPA*

Grand Rapids, MI

December 8, 2021

**Affinity Mentoring**  
**Statement of Financial Position**  
**As of June 30, 2021**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 130,125	\$ 147,025
Accounts receivable	-	7,753
Contributions receivable	50,000	155,000
Prepaid expenses	1,450	5,800
	<b>181,575</b>	<b>315,578</b>
<b>Long term</b>		
Fixed assets	22,720	-
<b>Total assets</b>	<b>\$ 204,295</b>	<b>\$ 315,578</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	3,265	1,834
Accrued payroll and related liabilities	29,958	22,051
Notes payable	55,100	45,947
<b>Total liabilities</b>	<b>88,323</b>	<b>69,832</b>
<b>Net assets</b>		
<b>Without donor restrictions</b>		
Undesignated	(25,799)	(16,203)
<b>With donor restrictions</b>		
Program restrictions	141,771	261,949
<b>Total net assets</b>	<b>115,972</b>	<b>245,746</b>
<b>Total liabilities and net assets</b>	<b>\$ 204,295</b>	<b>\$ 315,578</b>

**Affinity Mentoring**  
**Statement of Activities and Net Assets**  
**June 30, 2021**

	Without restrictions	With restrictions	Total
<b>Support and revenue</b>			
Contributions and grants	\$ 132,027	\$ 34,168	\$ 166,195
Special events income	42,105	-	42,105
Gifts in kind	72,517	-	72,517
Other income	45,963	-	45,963
Release of restrictions			
Satisfaction of restrictions	154,346	(154,346)	-
<b>Total support and revenue</b>	<u>446,958</u>	<u>(120,178)</u>	<u>326,780</u>
<b>Expenses</b>			
Program	261,260	-	261,260
Management and general	100,448	-	100,448
Fundraising	94,846	-	94,846
<b>Total expenses</b>	<u>456,554</u>	<u>-</u>	<u>456,554</u>
<b>Change in net assets</b>	<u>(9,596)</u>	<u>(120,178)</u>	<u>(129,774)</u>
<b>Net assets at beginning of period</b>	(16,203)	261,949	245,746
<b>Net assets at ending of period</b>	<u>\$ (25,799)</u>	<u>\$ 141,771</u>	<u>\$ 115,972</u>

See accompanying notes to the financial statements

**Affinity Mentoring**  
**Statement of Activities and Net Assets**  
**June 30, 2020**

	Without restrictions	With restrictions	Total
<b>Support and revenue</b>			
Contributions and grants	\$ 137,552	\$ 232,750	\$ 370,302
Special events income	36,838	-	36,838
Gifts in kind	45,225	-	45,225
Other income	14	-	14
Release of restrictions			
Satisfaction of restrictions	140,974	(140,974)	-
<b>Total support and revenue</b>	<u>360,603</u>	<u>91,776</u>	<u>452,379</u>
<b>Expenses</b>			
Program	213,137	-	213,137
Management and general	76,718	-	76,718
Fundraising	98,821	-	98,821
<b>Total expenses</b>	<u>388,676</u>	<u>-</u>	<u>388,676</u>
<b>Change in net assets</b>	<u>(28,073)</u>	<u>91,776</u>	<u>63,703</u>
<b>Net assets at beginning of period</b>	11,870	170,173	182,043
<b>Net assets at ending of period</b>	<u>\$ (16,203)</u>	<u>\$ 261,949</u>	<u>\$ 245,746</u>

See accompanying notes to the financial statements

**Affinity Mentoring**  
**Statement of Functional Expenses**  
**June 30, 2021**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Grand Total</b>
Salaries and wages	\$ 156,577	\$ 52,192	\$ 52,192	\$ 260,961
Pension plan contributions	3,249	1,083	1,083	5,415
Other employee benefits	24,023	8,008	8,008	40,039
Payroll taxes	12,610	4,203	4,203	21,016
Professional services - accounting	-	21,558	-	21,558
Professional services - fundraising	-	-	5,000	5,000
Professional services - other	2,435	-	-	2,435
Advertising and promotion	-	38	3,053	3,091
Office expenses	7,647	5,928	2,994	16,569
Information technology	12,232	1,288	3,282	16,802
Occupancy	33,000	2,400	2,400	37,800
Travel	197	66	66	329
Depreciation and amortization	2,814	938	938	4,690
Insurance	5,532	1,844	-	7,376
Program supplies	944	449	10,249	11,642
Events	-	453	1,378	1,831
<b>Total expenses</b>	<b>\$ 261,260</b>	<b>\$ 100,448</b>	<b>\$ 94,846</b>	<b>\$ 456,554</b>

See accompanying notes to the financial statements



**Affinity Mentoring**  
**Statement of Functional Expenses**  
**June 30, 2020**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Grand Total</b>
Salaries and wages	\$ 129,548	\$ 35,771	\$ 53,420	\$ 218,739
Pension plan contributions	2,214	945	1,412	4,571
Other employee benefits	11,774	3,251	4,855	19,880
Payroll taxes	11,276	3,114	4,650	19,040
Professional services - accounting	-	19,367	-	19,367
Professional services - fundraising	-	-	14,500	14,500
Professional services - other	1,684	-	-	1,684
Advertising and promotion	928	-	5,646	6,574
Office expenses	1,443	3,232	595	5,270
Information technology	4,018	1,505	2,257	7,780
Occupancy	25,674	7,147	10,913	43,734
Travel	1,116	308	460	1,884
Depreciation and amortization	114	-	113	227
Insurance	5,618	2,078	-	7,696
Program supplies	11,588	-	-	11,588
Events	6,142	-	-	6,142
<b>Total expenses</b>	<b>\$ 213,137</b>	<b>\$ 76,718</b>	<b>\$ 98,821</b>	<b>\$ 388,676</b>

See accompanying notes to the financial statements

**Affinity Mentoring**  
**Statement of Cash Flows - Indirect Method**  
**June 30, 2021**

Cash flows from operating activities			
Change in net assets	\$	(129,774)	\$ 63,703
Depreciation & amortization		4,690	227
Change in:			
Accounts receivable		7,753	(5,605)
Contributions receivable		105,000	(30,000)
Prepaid expense		4,350	(4,222)
Accounts payable		1,431	(2,010)
Accrued payroll and related liabilities		7,907	(1,289)
Net cash provided by operating activities		<u>1,357</u>	<u>20,804</u>
Cash flows from investing activities			
Cost of new fixed assets		<u>(27,410)</u>	-
Net cash used in investing activities		(27,410)	-
Cash flows from financing activities			
Net proceeds from loans payable		<u>9,153</u>	<u>45,947</u>
Net cash provided from financing activities		9,153	45,947
Change in cash		(16,900)	66,751
Cash, beginning of year		<u>147,025</u>	<u>80,274</u>
Cash, end of year	\$	130,125	\$ 147,025

See accompanying notes to the financial statements

## 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, 2021 and 2020; there is, therefore no allowance for doubtful promises to give.

## PREPAID EXPENSE

Prepaid expense at June 30, 2021 and 2020 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. Intangible assets were fully amortized prior to the year ended June 30, 2021.

## 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, 2021 and 2020, AM received various donated items having an estimated value of \$37,117 and \$2,225, respectively. During the year ended June 30, 2020, AM was provided with office space by MHBC having an estimated fair value of \$11,000, respectively. During the years ended June 30, 2021 and 2020, AM was provided with office space by a schools having an estimated fair value of \$33,000 and \$32,000, respectively.

## CONTRIBUTED SERVICES

For the year ended June 30, 2021 contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$2,400.

During the years ended June 30, 2021 and 2020, 152 and 278 individuals served as volunteers, providing 3,280 and 6,129 hours of mentoring services on behalf of AM, respectively, having an estimated total value of approximately \$74,680 and \$144,645, 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.

## ADVERTISING COSTS

Affinity Mentoring has adopted a policy of charging the cost of advertising to expenses that occur. Advertising expense for the years ended June 30, 2021 and 2020, amounted to \$3,091 and \$6,574, respectively.

## 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 fundraising activities benefiting 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 fundraising 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 refilled to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash	\$ 130,125	\$ 147,025
Accounts receivable	-	7,753
Contributions receivable	50,000	105,000
Less:		
Net assets with donor restrictions	(141,771)	(261,949)
	<u>\$ 38,354</u>	<u>\$ (2,171)</u>

AM maintains a bank checking account for liquidity management.

## 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2021 and 2020 consist of promises to give from one 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:

<u>Year ending June 30,</u>	
2022	\$ 50,000

#### 4. CAPITAL ASSETS

Capital asset activity was as follows:

	<u>Balance at June 30, 2021</u>
Furniture and fixtures	22,648
Computers and technology	4,762
Accumulated depreciation	(4,690)
Net capital assets	22,720

Depreciation expense of 4,690 was for fiscal year ended June 30, 2021.

#### 5. COMPENSATED ABSENCES

The organization adopted a personnel policy which allows employees to accrue and carry over of paid time off (PTO) per calendar year. Unused PTO is not paid out but can be carried over.

As of June 30, 2021 and 2020, total compensated absences has accumulated in the amount of \$15,800 and \$8,934 respectively.

#### 6. LOAN PAYABLE

Loan payable consists of a Federal Paycheck Protection Program loan, the loan received for 2021 was fully forgiven as a subsequent claim as income for fiscal year 2022 .

The forgiveness of the prior year PPP loan was reported as other income on the statement of activities for the year ended June 30, 2021.

#### 7. CONCENTRATION

For the years ended June 30, 2021 and 2020, the top five donors provided approximately 63 and 70 percent of total contributions, respectively.

#### 8. 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, 2021 and 2020 were \$5,415 and \$4,571, respectively.

#### 9. RELATED PARTY TRANSACTIONS

In addition to the use of office space noted under Gifts-In-Kind above, MHBC provided contributions to AM totaling \$27,189 during the year ended June 30, 2020. Accounts receivable and contributions receivable due from MHBC at June 30, 2020 totaled \$7,753.

10. NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

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

	June 30, 2020	Contributions	Released from restrictions	June 30, 2021
Family engagement, mentor recruitment, screening, training and staff support	\$ 261,949	\$ 34,168	\$ (154,346)	\$ 141,771

11. 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.

12. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through December 08, 2021, 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 \$55,100 from the federal Paycheck Protection Program second draw 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.