



FINANCIAL STATEMENTS

JUNE 30, 2022

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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, 2022 and 2021, 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 opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statements

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.

We are required to be independent of Affinity Mentoring and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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

Morgan & Associates CPAs

Grand Rapids, MI

March 6, 2023

Affinity Mentoring
Statement of Financial Position
As of June 30, 2022

	2022	2021
Assets		
Current		
Cash	\$ 59,562	\$ 130,125
Contributions receivable	182,000	50,000
Prepaid expenses	1,790	1,450
Right-of-use asset	4,356	-
Total current assets	247,708	181,575
Long term		
Fixed assets	16,969	22,719
Total long term assets	16,969	22,719
Total assets	\$ 264,677	\$ 204,294
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	5,398	3,777
Accrued payroll and related liabilities	31,431	29,959
Notes payable	-	55,100
Lease liability	4,356	-
Total current liabilities	41,185	88,836
Total liabilities	41,185	88,836
Net assets		
Without donor restrictions		
Undesignated	(33,410)	(26,313)
With donor restrictions		
Program restrictions	256,902	141,771
Total net assets	223,492	115,458
Total liabilities and net assets	\$ 264,677	\$ 204,294

See accompanying notes to the financial statements

Affinity Mentoring
Statement of Activities and Net Assets
June 30, 2022

	Without restrictions	With restrictions	Total
Support and revenue			
Contributions and grants	\$ 158,889	\$ 303,000	\$ 461,889
Special events income	59,974	-	59,974
Gifts in kind	33,000	-	33,000
Other income	55,108	-	55,108
Release of restrictions			
Satisfaction of restrictions	187,869	(187,869)	-
Total support and revenue	<u>494,840</u>	<u>115,131</u>	<u>609,971</u>
Expenses			
Program	297,673	-	297,673
Management and general	108,690	-	108,690
Fundraising	95,574	-	95,574
Total expenses	<u>501,937</u>	<u>-</u>	<u>501,937</u>
Change in net assets	<u>(7,097)</u>	<u>115,131</u>	<u>108,034</u>
Net assets at beginning of period	(26,313)	141,771	115,458
Net assets at ending of period	<u>\$ (33,410)</u>	<u>\$ 256,902</u>	<u>\$ 223,492</u>

See accompanying notes to the financial statements

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

	Without restrictions	With restrictions	Total
Support and revenue			
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)	-
Total support and revenue	<u>446,958</u>	<u>(120,178)</u>	<u>326,780</u>
Expenses			
Program	261,541	-	261,541
Management and general	100,565	-	100,565
Fundraising	94,962	-	94,962
Total expenses	<u>457,068</u>	<u>-</u>	<u>457,068</u>
Change in net assets	<u>(10,110)</u>	<u>(120,178)</u>	<u>(130,288)</u>
Net assets at beginning of period	(16,203)	261,949	245,746
Net assets at ending of period	<u>\$ (26,313)</u>	<u>\$ 141,771</u>	<u>\$ 115,458</u>

See accompanying notes to the financial statements

Affinity Mentoring
Statement of Functional Expenses
June 30, 2022

	Program	Management and General	Fundraising	Grand Total
Salaries and wages	\$ 184,489	\$ 61,496	\$ 61,496	\$ 307,481
Pension plan contributions	3,551	1,184	1,184	5,919
Other employee benefits	30,908	10,303	10,303	51,514
Payroll taxes	13,777	4,592	4,592	22,961
Professional services - accounting	12,032	4,011	4,011	20,054
Professional services - other	3,551	-	-	3,551
Advertising and promotion	1,026	342	342	1,710
Office expenses	2,129	1,363	864	4,356
Information technology	7,285	2,085	5,091	14,461
Occupancy	21,000	17,100	-	38,100
Travel	157	52	53	262
Depreciation and amortization	3,451	1,150	1,150	5,751
Insurance	5,794	1,932	-	7,726
Program supplies	8,469	2,823	2,823	14,115
Events	54	201	3,666	3,921
Miscellaneous	-	56	-	56
Total expenses	\$ 297,673	\$ 108,690	\$ 95,574	\$ 501,937

See accompanying notes to the financial statements

Affinity Mentoring
Statement of Functional Expenses
June 30, 2021

	Program	Management and General	Fundraising	Grand Total
Salaries and wages	\$ 156,578	\$ 52,192	\$ 52,192	\$ 260,962
Pension plan contributions	3,249	1,083	1,083	5,415
Other employee benefits	24,024	8,008	8,008	40,040
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	12,511	1,405	3,398	17,314
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
Total expenses	\$ 261,541	\$ 100,565	\$ 94,962	\$ 457,068

See accompanying notes to the financial statements

Affinity Mentoring
Statement of Cash Flows - Indirect Method
June 30, 2022

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 108,034	\$ (130,288)
Depreciation & amortization	5,750	4,690
Change in:		
Accounts receivable	-	7,753
Contributions receivable	(132,000)	105,000
Prepaid expense	(340)	4,350
Accounts payable	1,621	1,943
Accrued payroll and related liabilities	1,472	7,908
Accrued payroll and related liabilities	(55,100)	9,153
Net cash provided by operating activities	<u>(70,563)</u>	<u>10,509</u>
Cash flows from investing activities		
Cost of new fixed assets	-	(27,410)
Net cash used in investing activities	<u>-</u>	<u>(27,410)</u>
Change in cash	(70,563)	(16,901)
Cash, beginning of year	130,125	147,026
Cash, end of year	<u>\$ 59,562</u>	<u>\$ 130,125</u>

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, 2022 and 2021; there is, therefore no allowance for doubtful promises to give.

PREPAID EXPENSE

Prepaid expense at June 30, 2022 and 2021 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, 2022.

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.

CHANGE IN ACCOUNTING PRINCIPLE

The organization has adopted ASU 2016-02, Leases (Topic 842) for the financials statements year ended June 30, 2022. This ASU increases the transparency comparability of the financial statements about the assets and liabilities that result from lease agreements. With this new standard, a lessee is required to recognize most leases on the statement of financials position. Previous guidance allowed the lessee to report operating leases on the statement of activities. The ASU is effective for fiscal years after December 15, 2021. As a result of this, AM has recorded a right-to-use asset and a lease liability to properly reflect the rights and obligations presented in the current operating lease, which falls within the scope of this ASU. The lease asset will be reduced by the amortization of the lease, while the lease liability will be reduced by payments on the lease. This change had no effect on net assets for the year ended June 30, 2022.

GIFTS IN KIND

During the year ended June 30, 2021, AM received various donated items and contributed professional services that are reflected in the statement of activities at their estimated fair value under gifts in kind. During the years ended June 30, 2022 and 2021, AM was provided with office space by a school. The estimated fair value of this office space is also reflected in the statement of activities under gifts in kind.

Gifts in kind activity is as follows:

	June 30, 2022	June 30, 2021
Donated items	-	37,117
Professional services	-	2,400
Office space	33,000	33,000
	\$ 33,000	\$ 72,517

During the year ended June 30, 2021, 152 individuals served as volunteers, providing 3,280 hours of mentoring services on behalf of AM, having an estimated total value of approximately \$74,680. 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, 2022 and 2021, amounted to \$1,710 and \$3,091, 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.

	June 30, 2022	June 30, 2021
Cash	\$ 59,562	\$ 130,125
Accounts receivable	-	-
Contributions receivable	182,000	50,000
Less:		
Net assets with donor restrictions	(256,902)	(141,771)
	\$ (15,340)	\$ 38,354

AM maintains a bank checking account for liquidity management.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2022 and 2021 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, 2022</u>	\$182,000
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4. CAPITAL ASSETS

Capital asset activity was as follows:

	<u>Balance at June 30, 2022</u>
Furniture and fixtures	22,648
Computers and technology	4,762
<u>Accumulated depreciation</u>	<u>(10,440)</u>
Net capital assets	16,970

Depreciation expense for fiscal year ended June 30, 2022 and 2021 was \$5,750 and \$4,690, respectively.

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, 2022 and 2021, total compensated absences has accumulated in the amount of \$17,027 and \$15,800 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, 2022.

7. CONCENTRATION

For the years ended June 30, 2022 and 2021, the top five donors provided approximately 36 and 63 percent of total contributions, respectively.

8. POST RETIREMENT BENEFIT 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, 2022 and 2021 were \$5,919 and \$5,415, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	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

	June 30, 2021	Contributions	Released from restrictions	June 30, 2022
Family engagement, mentor recruitment, screening, training and staff support	\$ 141,771	\$ 303,000	\$ (187,869)	\$ 256,902

10. LEASE

The Organization leases office space for business under an operating lease agreement with an unrelated third party starting June 1, 2020 with expiration of the lease on May 31, 2023. As of June 30, 2022 the right-of-use asset has been amortized to \$4,356, respectively. The correlating lease liability was reduced by lease payments to \$4,356, respectively. The monthly lease payments for the lease are \$400, with an annual increase of 2% after the first year. No other costs are incurred under the operating lease. The Organization has the option to renew at the end of the operating lease.

Rent expense under the operating lease for the years ended June 30, 2022 and 2021 was \$5,100 and \$4,800, respectively.

Future obligations for minimum rental payments under the terms of the operating lease are as follows:

Year ended June 30,	
2023	\$ 4,400
Total	\$ 4,400

11. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through March 6, 2023, the date these financial statements were available to be issued.