

THAT'S MY CHILD

APRIL 30, 2021

FINANCIAL STATEMENTS

That's My Child
Montgomery, Alabama

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Branum & Company, P.C.

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
That's My Child
Montgomery, Alabama

We have audited the accompanying modified cash basis financial statements of That's My Child (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of April 30, 2021 and 2020, and the related statements of revenue and expenses - modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of That's My Child as of April 30, 2021 and 2020, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Branum & Company, P.C.

Greenville, Alabama
August 31, 2021

THAT'S MY CHILD
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
AS OF APRIL 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 187,244	\$ 151,851
Total current assets	187,244	151,851
PROPERTY AND EQUIPMENT, AT COST:		
Land	17,558	17,558
Buildings	115,658	115,658
Equipment	88,569	36,467
Totals	221,785	169,683
Less: Accumulated depreciation	38,823	21,752
Total property and equipment	182,962	147,931
OTHER ASSETS		
Utility deposits	544	544
Total assets	\$ 370,750	\$ 300,326
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current maturities on long term debt	\$ 3,861	\$ 3,711
Notes payable	61,814	35,500
Miscellaneous payable	133	1,008
Total current liabilities	65,808	40,219
NONCURRENT LIABILITIES:		
Long-term debt, less current maturities	59,506	63,494
Total noncurrent liabilities	59,506	63,494
Total liabilities	125,314	103,713
NET ASSETS:		
With donor restrictions	-	-
Without donor restrictions	245,436	196,613
Total net assets	245,436	196,613
Total liabilities and net assets	\$ 370,750	\$ 300,326

The accompanying notes are an integral part of these financial statements.

THAT'S MY CHILD
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES
 IN NET ASSETS - MODIFIED CASH BASIS
 FOR THE YEARS ENDED APRIL 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUE:		
Donations and grants	\$ 323,835	\$ 233,572
Fundraising	64,711	14,298
Program income	20,544	27,951
Miscellaneous income	2,186	163
Total support and revenue	411,276	275,984
EXPENSES:		
Program services	226,542	139,082
General and administrative	101,572	51,178
Fundraising	34,339	26,772
Total expenses	362,453	217,032
INCREASE IN NET ASSETS	48,823	58,952
NET ASSETS AT BEGINNING OF YEAR	196,613	137,661
NET ASSETS AT END OF YEAR	\$ 245,436	\$ 196,613

The accompanying notes are an integral part of these financial statements.

THAT'S MY CHILD
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2021

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL EXPENSES
Salaries	\$ 81,339	\$ 41,221	\$ 18,249	\$ 140,809
Payroll taxes	6,220	3,132	1,396	10,748
Total personnel	<u>87,559</u>	<u>44,353</u>	<u>19,645</u>	<u>151,557</u>
Advertising & public relations	644	225	2,179	3,048
Travel & meetings	2,004	1,344	91	3,439
Program expenses	88,190			88,190
Depreciation	16,347	724		17,071
Dues & subscriptions		1,258		1,258
Insurance expense	6,336	2,348		8,684
Interest expense	1,808	674		2,482
Miscellaneous	6,871	778	195	7,844
Office supplies and expense	939	3,568	4,337	8,844
Fundraising			7,892	7,892
Taxes and licenses	1,176	528		1,704
Accounting		38,693		38,693
Repairs and maintenance	2,686	880		3,566
Utilities	<u>11,982</u>	<u>6,199</u>		<u>18,181</u>
Total functional expenses	<u>\$ 226,542</u>	<u>\$ 101,572</u>	<u>\$ 34,339</u>	<u>\$ 362,453</u>

The accompanying notes are an integral part of these financial statements.

THAT'S MY CHILD
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2020

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL EXPENSES
Salaries	\$ 68,861	\$ 20,040	\$ 19,400	\$ 108,301
Payroll taxes	5,268	1,533	1,484	8,285
Total personnel	<u>74,129</u>	<u>21,573</u>	<u>20,884</u>	<u>116,586</u>
Advertising & public relations	186		979	1,165
Travel & meetings	403	2,070		2,473
Program expenses	29,361			29,361
Depreciation	12,905	724		13,629
Dues & subscriptions		903		903
Insurance expense	3,865	892		4,757
Interest expense	1,940	706		2,646
Miscellaneous	2,894	1,311		4,205
Office supplies and expense		1,053		1,053
Fundraising			4,909	4,909
Taxes and licenses	1,848	769		2,617
Accounting		10,105		10,105
Repairs and maintenance	475	4,610		5,085
Utilities	11,076	6,462		17,538
Total functional expenses	<u>\$ 139,082</u>	<u>\$ 51,178</u>	<u>\$ 26,772</u>	<u>\$ 217,032</u>

The accompanying notes are an integral part of these financial statements.

THAT'S MY CHILD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - That's My Child (the Organization) is an Alabama nonprofit organization formed in 2014 and designed to mentor youth through arts education and entrepreneurship while giving them a safe place to develop their talents and skills needed to become tomorrow's productive citizens.

Basis of accounting - The accompanying financial statements have been prepared in conformity with the modified cash basis of accounting. Consequently, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying cash basis statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (*ASC*) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization has no net assets with donor restrictions.

Cash and cash equivalents - For the purposes of cash flows, the Organization considers all cash and liquid investments with a maturity of three months or less to be cash equivalents.

Contributed merchandise and other in-kind contributions - Contributed merchandise and other in-kind contributions are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

Contributed services - Donated services are reflected at the estimated fair market value of such services except for individual's volunteer time which does not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services.

Property and equipment - All property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as either with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

THAT'S MY CHILD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Depreciation is computed using straight line method over the estimated useful lives of the assets in service. It is the Organization's policy to capitalize significant additions and improvements exceeding \$5,000. Disbursements for maintenance, repairs and minor renovations are recorded as expenses as incurred.

The estimated useful lives used to compute depreciation are as follows:

Buildings	39 years
Property and equipment	5 - 7 years

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional allocation of expenses - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated on a reasonable basis among the programs and supporting services benefited. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which is allocated on a square footage basis; and supplies and telephone costs which are allocated based on usage.

Subsequent events - Subsequent events have been evaluated through August 31, 2021, which is the date the financial statements were available to be issued.

NOTE 2 - CASH:

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 - INCOME TAXES:

The Organization is a nonprofit corporation that is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a tax-exempt organization and classified as other than a private foundation.

THAT'S MY CHILD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021 AND 2020

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization has \$187,244 of financial assets available within one year of financial position date of April 30, 2021, to meet cash needs for general operating expenditures that is, without donor or other restrictions limiting their use, consisting of cash and cash equivalents of \$187,244.

The Organization has \$151,851 of financial assets available within one year of financial position date of April 30, 2020, to meet cash needs for general operating expenditures that is, without donor or other restrictions limiting their use, consisting of cash and cash equivalents of \$151,851.

NOTE 5 - LONG-TERM DEBT:

Long-term debt at April 30, 2021 and 2020 consists of the following:

<u>DESCRIPTION</u>	<u>2021</u>	<u>2020</u>
Note Payable - ServisFirst Bank; secured by real estate; interest rate 3.75%; payments of \$413 per month through October 2022, include interest. Remaining balance of \$57,077 due November 2022.	\$ 61,283	\$ 63,866
 Note Payable - ServisFirst Bank; secured by vehicle; interest rate 4.0%; payments of \$113 per month through November 2022, include interest.	<u>2,084</u>	<u>3,339</u>
	63,367	67,205
Less: Current portion	<u>3,861</u>	<u>3,711</u>
Totals	<u><u>\$ 59,506</u></u>	<u><u>\$ 63,494</u></u>

Maturities of long-term debt are as follows:

Year ending April 30:

2022	\$ 3,861
2023	<u>59,506</u>
Totals	<u><u>\$ 63,367</u></u>

Interest expense amounted to \$2,482 and \$2,646 for 2021 and 2020, respectively.

THAT'S MY CHILD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021 AND 2020

NOTE 6 - SUPPORT AND REVENUE:

Numerous volunteers have donated significant amount of time to the Organization's fundraising campaigns and program services; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

NOTE 7 - CLAIMS AND JUDGEMENTS:

The Organization has received grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could produce requests for reimbursements to the grantor agencies due to the disallowance of expenditures pursuant to the terms of the grant. It is the opinion of the Organization that such disallowances, if any, would be immaterial.

NOTE 8 - NOTE PAYABLE:

In April 2020, the Organization applied for and received funds of \$35,500 as part of the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP). In February 2021, the Organization applied for and received additional PPP funds of \$26,314. The proceeds from the loans were used to fund payroll and other specific costs outlined in the program for an eight week or twenty four week period after receipt of the proceeds. The Organization will apply for loan forgiveness as stated in the loan documents, with any unforgiven amounts to be converted to a term loan, payable over 2 years at 1% interest. Management expects the note payable to be fully forgiven during the 2022 fiscal year.

NOTE 9 - RISKS AND UNCERTAINTIES:

In March 2020, the United States and global financial markets experienced significant volatility resulting from the uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future cash flows and changes in net assets as a result of the pandemic. The Organization does not expect this matter to negatively impact its overall results. However, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and demand for crisis relief services, and the length of the stay-at-home orders, all of which are highly uncertain and cannot be predicted at this time.

THAT'S MY CHILD
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021 AND 2020

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENT:

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 4).

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis in fiscal year 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of May 1, 2019.