



PASQUESI
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

C24/7: FATHER'S ARMS MINISTRIES

**FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

**TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**





INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
C24/7: FATHER'S ARMS MINISTRIES

We have audited the accompanying financial statements of C24/7: FATHER'S ARMS MINISTRIES (a not-for-profit corporation), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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 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 Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C24/7: FATHER'S ARMS MINISTRIES as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Pasquesi Sheppard LLC".

Pasquesi Sheppard LLC
Lake Forest, Illinois

January 27, 2020

C24/7: FATHER'S ARMS MINISTRIES

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2019 AND 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT:		
Cash and cash equivalents	\$ 308,706	\$ 49,041
Contributions receivable	8,157	-
Pledges receivable	50,000	-
	<hr/>	<hr/>
Total assets	<u>\$ 366,863</u>	<u>\$ 49,041</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 219	\$ -
Accrued expenses	328	299
	<hr/>	<hr/>
Total liabilities	<u>\$ 547</u>	<u>\$ 299</u>
NET ASSETS:		
Without donor restrictions	\$ 57,216	\$ 20,737
With donor restrictions	309,100	28,005
	<hr/>	<hr/>
Total net assets	<u>\$ 366,316</u>	<u>\$ 48,742</u>
Total liabilities and net assets	<u>\$ 366,863</u>	<u>\$ 49,041</u>

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

C24/7: FATHER'S ARMS MINISTRIES

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES:		
Contributions	\$ 140,254	\$ 96,237
Fundraising events	78,128	71,488
Net assets released from restrictions	9,155	-
Total revenues	<u>\$ 227,537</u>	<u>\$ 167,725</u>
EXPENSES:		
Program services	\$ 131,947	\$ 110,712
Management and general	13,053	11,216
Fundraising	46,058	28,125
Total expenses	<u>\$ 191,058</u>	<u>\$ 150,053</u>
Increase in net assets without donor restrictions	<u>\$ 36,479</u>	<u>\$ 17,672</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Contributions - program	\$ -	\$ 9,605
Contributions - capital campaign	290,250	18,400
Net assets released from restrictions	(9,155)	-
Increase in net assets with donor restrictions	<u>\$ 281,095</u>	<u>\$ 28,005</u>
INCREASE IN NET ASSETS	<u>\$ 317,574</u>	<u>\$ 45,677</u>
NET ASSETS AT BEGINNING OF YEAR	<u>48,742</u>	<u>3,065</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 366,316</u></u>	<u><u>\$ 48,742</u></u>

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

C24/7: FATHER'S ARMS MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2019

Expense Account	PROGRAMS					Fundraising	General and Administrative	Total Functional Expense
	After-School	Job Development	Community Outreach	Total Program				
Salaries	\$ 54,241	\$ 22,339	\$ 21,647	\$ 98,227	\$ 21,207	\$ 5,014	\$ 124,448	
Payroll taxes	3,431	1,562	1,562	6,555	482	482	7,519	
Meals & entertainment	7,145	290	5,617	13,052	-	-	13,052	
Events	3,461	-	-	3,461	17,826	-	21,287	
Rent	2,550	-	-	2,550	-	-	2,550	
Professional fees	-	-	-	-	-	1,887	1,887	
Processing fees	-	-	-	-	3,265	-	3,265	
Supplies	746	146	-	892	1,157	893	2,942	
Printing and postage	-	-	-	-	750	55	805	
Gifts	2,015	-	425	2,440	-	-	2,440	
Insurance	854	427	427	1,708	-	2,561	4,269	
Travel	978	114	75	1,167	-	-	1,167	
Dues & subscriptions	-	-	-	-	1,152	1,152	2,304	
Miscellaneous	1,295	500	100	1,895	219	1,009	3,123	
	<u>\$ 76,716</u>	<u>\$ 25,378</u>	<u>\$ 29,853</u>	<u>\$ 131,947</u>	<u>\$ 46,058</u>	<u>\$ 13,053</u>	<u>\$ 191,058</u>	

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

C24/7: FATHER'S ARMS MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2018

Expense Account	PROGRAMS				Fundraising	General and Administrative	Total Functional Expense
	After-School	Job Development	Community Outreach	Total Program			
Salaries	\$ 45,719	\$ 19,715	\$ 18,418	\$ 83,852	\$ 13,070	\$ 4,728	\$ 101,650
Payroll taxes	3,333	1,541	1,541	6,415	466	466	7,347
Meals & entertainment	3,636	205	2,988	6,829	-	49	6,878
Events	5,192	-	-	5,192	12,094	-	17,286
Rent	2,100	-	-	2,100	-	-	2,100
Professional fees	-	-	-	-	-	1,341	1,341
Processing fees	-	-	-	-	500	-	500
Supplies	516	383	-	899	203	503	1,605
Printing and postage	-	-	-	-	528	162	690
Gifts	1,658	-	-	1,658	-	-	1,658
Insurance	859	430	430	1,719	-	2,577	4,296
Travel	1,103	59	110	1,272	-	-	1,272
Dues & subscriptions	-	-	-	-	1,048	1,082	2,130
Miscellaneous	394	366	16	776	216	308	1,300
	<u>\$ 64,510</u>	<u>\$ 22,699</u>	<u>\$ 23,503</u>	<u>\$ 110,712</u>	<u>\$ 28,125</u>	<u>\$ 11,216</u>	<u>\$ 150,053</u>

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

C24/7: FATHER'S ARMS MINISTRIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 317,574	\$ 45,677
Adjustments to reconcile changes in net assets to net cash provided by operating activities –		
Impact on cash from changes in –		
Contributions receivable	(8,157)	-
Pledges receivable	(50,000)	-
Accounts payable	219	(2,851)
Accrued expenses	29	(14)
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 259,665	\$ 42,812
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <hr/>	 <hr/>
	49,041	6,229
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <hr/>	 <hr/>
	\$ 308,706	\$ 49,041

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

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

(1) DESCRIPTION OF THE ORGANIZATION:

C24/7: Father's Arms Ministries (the Organization) is an Illinois not-for-profit organization dedicated, through the power of Jesus Christ, to improving the lives of children and young adults in the North of Howard neighborhood by providing the necessary tools, security and environment for them to thrive economically, socially and spiritually.

The Organization's mission is carried out through a multi-faceted approach. The Organization provides an after-school program for elementary students who are forgotten or ignored by other local programs to learn, grow and thrive in and out of the classroom. The Organization's job development program provides spiritual support and job training in order to connect men and women to work that taps into their unique skills and God-given purpose. The Organization's community outreach provides weekly bible studies, open gym time, one-on-one counseling sessions, and street ministry to help their neighbors in the midst of gang activity, drug use, and more.

(2) ACCOUNTING POLICIES AND PRACTICES:

The financial statements of the Organization have been prepared on the accrual basis of accounting. The following is a summary of the major accounting policies and practices of the Organization which affect significant elements of the accompanying financial statements:

Change in Accounting Principle –

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 standards change the following aspects of the Organization's financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

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 7).

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

Basis of Presentation -

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors; net assets without donor restrictions and net asset with donor restrictions:

Net assets without donor restrictions represent funds which are available for the Organization to utilize, at the discretion of management and the Board of Directors, in any of its programs or supporting services.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity (Note 5).

Contributions -

The Organization recognizes the full amount of pledges, contributions, grants and bequests received in the year that they were made as support without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization records donor-restricted contributions, whose restrictions are met in the same reporting period, as support without donor restrictions. Contributions of long-lived assets and cash to acquire long-lived assets that are received without stipulations concerning how long the long-lived asset is to be used are treated as without donor restrictions when the acquired assets are placed in service.

The Organization records non-cash contributions at their estimated fair market value at the date of the contribution. Contributed services are recognized at fair value, except for the work of volunteers for which no monetary value has been assigned.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

Cash and Cash Equivalents -

For purposes of the statements of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable -

Unconditional promises to give are recognized as receivable and as revenue in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted at an appropriate discount rate commensurate with risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contribution.

An allowance for uncollectible pledges receivable may be recorded based upon management's judgment considering such factors as prior collection history, type of contribution and nature of fundraising activity.

Functional Expenses -

The Organization incurs costs that provide program, fundraising, and general and administrative benefit. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and support services based on periodic time and expense studies.

Financial Instruments -

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and receivables. The Organization maintains cash accounts which, at various times throughout the year, exceeded the federally insured limits. The Organization has not experienced any losses and management believes it is not exposed to any significant credit risk on cash.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

Income Taxes -

The Organization is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income. It is also exempt from state income taxes for related income and qualifies for charitable contribution deductions in regard to its donors. The Organization would be subject to both federal and state taxes on unrelated business income, though it did not have any for the years ending August 31, 2019 and 2018.

As of August 31, 2019 and 2018, the Organization did not have any uncertain tax positions that it is obligated to disclose. Additionally, there were no returns under review or open to review by taxing authorities in excess of statutory periods. The Organization follows a conservative approach of research and open disclosure in regard to its tax-exempt status and positions held.

Use of Estimates -

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement —

In May 2014 the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015 the FASB issued ASU 2015-04 which defers the effective date of ASU 2014-09 one year making it effective as of September 1, 2019, for the Organization. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

(3) BOARD-DESIGNATED FUNDS:

During the year ended August 31, 2019, the board designated a portion of donated funds for the capital campaign. The board has the right to decide at any time to expend the principal of such funds. Due to the absence of any donor restrictions, the balance is included in net assets without donor restrictions.

Board designated funds as of August 31, 2019, is \$20,000. There were no board designated funds as of August 31, 2018.

(4) PLEDGES RECEIVABLE:

During the year ended August 31, 2019, the Organization received a \$50,000 pledge in support of the capital campaign. Due to the short term nature of this pledge, the receivable was not discounted nor was an allowance deemed necessary by the Organization. There were no pledge receivables as of August 31, 2018.

(5) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are comprised of the following at August 31:

	<u>2019</u>	<u>2018</u>
After-school program	\$ 450	\$ 9,605
Capital campaign	308,650	18,400
	<u>\$ 309,100</u>	<u>\$ 28,005</u>

(6) NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions for the years ended August 31 are detailed as follows:

	<u>2019</u>	<u>2018</u>
After-school program	<u>\$ 9,155</u>	<u>\$ -</u>

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

(7) LIQUIDITY:

The following reflects the Organization's financial assets as of the statements of financial position dates, reduced by amounts not yet available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position dates. All of the Organization's assets as of August 31, 2019 and 2018, are classified as financial assets.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 366,863	\$ 49,041
Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose	(309,100)	(28,005)
Less those unavailable for general expenditures within one year, due to board designation	<u>(20,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 37,763</u>	<u>\$ 21,036</u>

(8) SIGNIFICANT SUPPORT:

The Organization received significant support from private foundations and individuals in the form of restricted contributions towards the capital campaign. For the year ended August 31, 2019, restricted contributions from three organizations or individuals comprised 44% of total contributions. No such concentration was present for the year ended August 31, 2018.

(9) SUBSEQUENT EVENTS:

The Organization's management has performed an analysis of activities and transactions subsequent to August 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year then ended. Management has performed this analysis through the report date, the date which the financial statements were available to be issued.