



PASQUESI  
SHEPPARD LLC  
Accountants and Consultants

## C24/7: FATHER'S ARMS MINISTRIES

FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT

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## 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, 2020 and 2019, 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, 2020 and 2019, 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 black ink that reads "Pasquesi Sheppard LLC". The signature is written in a cursive, flowing style.

Pasquesi Sheppard LLC  
Lake Forest, Illinois

December 17, 2020

C24/7: FATHER'S ARMS MINISTRIES

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
<b>CURRENT:</b>		
Cash and cash equivalents	\$ 701,267	\$ 308,706
Contributions receivable	2,223	8,157
Pledges receivable	-	50,000
Prepaid expenses	2,197	-
Deposits	51,000	-
Total current assets	<u>\$ 756,687</u>	<u>\$ 366,863</u>
<b>Equipment</b>		
Machinery and equipment	\$ 4,334	\$ -
Less accumulated depreciation	(276)	-
Equipment, net	<u>\$ 4,058</u>	<u>\$ -</u>
Total assets	<u><u>\$ 760,745</u></u>	<u><u>\$ 366,863</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,133	\$ 219
Accrued expenses	1,532	328
Total current liabilities	<u>\$ 2,665</u>	<u>\$ 547</u>
<b>NOTE PAYABLE</b>	<u>\$ 17,140</u>	<u>\$ -</u>
Total liabilities	<u>\$ 19,805</u>	<u>\$ 547</u>
<b>NET ASSETS:</b>		
Without donor restrictions	\$ 128,963	\$ 57,216
With donor restrictions	611,977	309,100
Total net assets	<u>\$ 740,940</u>	<u>\$ 366,316</u>
Total liabilities and net assets	<u><u>\$ 760,745</u></u>	<u><u>\$ 366,863</u></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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
<b>REVENUES:</b>		
Contributions	\$ 267,196	\$ 140,254
Fundraising events	104,299	78,128
EIDL grant	4,000	-
Net assets released from restrictions	450	9,155
Total revenues	<u>\$ 375,945</u>	<u>\$ 227,537</u>
<b>EXPENSES:</b>		
Program services	\$ 223,904	\$ 131,947
Management and general	32,215	13,053
Fundraising	48,079	46,058
Total expenses	<u>\$ 304,198</u>	<u>\$ 191,058</u>
Increase in net assets without donor restrictions	<u>\$ 71,747</u>	<u>\$ 36,479</u>
<b><u>NET ASSETS WITH DONOR RESTRICTIONS</u></b>		
Contributions - program	\$ 36,254	\$ -
Contributions - capital campaign	267,073	290,250
Net assets released from restrictions	(450)	(9,155)
Increase in net assets with donor restrictions	<u>\$ 302,877</u>	<u>\$ 281,095</u>
<b>INCREASE IN NET ASSETS</b>	<u>\$ 374,624</u>	<u>\$ 317,574</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>366,316</u>	<u>48,742</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 740,940</u></u>	<u><u>\$ 366,316</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, 2020

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Expense Account	PROGRAMS					Fundraising	General and Administrative	Total Functional Expense
	After-School	Job Development	Community Outreach	Total Program				
Salaries	\$ 54,658	\$ 23,193	\$ 23,193	\$ 101,044	\$ 22,303	\$ 5,622	\$ 128,969	
Payroll taxes	4,251	1,886	1,886	8,023	602	602	9,227	
Covid assistance	-	-	83,943	83,943	-	-	83,943	
Meal assistance	3,612	-	2,488	6,100	-	-	6,100	
Events	140	-	285	425	14,849	-	15,274	
Rent and utilities	900	-	1,800	2,700	-	-	2,700	
Professional fees	-	-	-	-	-	19,259	19,259	
Processing fees	-	-	-	-	4,112	-	4,112	
Supplies	4,520	-	1,973	6,493	2,066	248	8,807	
Printing and postage	-	-	-	-	910	136	1,046	
Gifts	3,122	-	-	3,122	-	-	3,122	
Insurance	3,703	1,680	1,354	6,737	432	2,708	9,877	
Depreciation	-	-	-	-	-	276	276	
Travel	353	-	229	582	-	-	582	
Dues & subscriptions	-	-	-	-	1,291	1,291	2,582	
Miscellaneous	2,635	-	2,100	4,735	1,514	2,073	8,322	
	<u>\$ 77,894</u>	<u>\$ 26,759</u>	<u>\$ 119,251</u>	<u>\$ 223,904</u>	<u>\$ 48,079</u>	<u>\$ 32,215</u>	<u>\$ 304,198</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

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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	
Meal assistance	7,145	290	5,617	13,052	-	-	13,052	
Events	3,461	-	-	3,461	17,826	-	21,287	
Rent and utilities	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**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 374,624	\$ 317,574
Adjustments to reconcile changes in net assets to net cash provided by operating activities —		
Depreciation	276	-
Impact on cash from changes in —		
Contributions receivable	5,934	(8,157)
Pledges receivable	50,000	(50,000)
Prepaid expenses	(2,197)	-
Deposits	(51,000)	-
Accounts payable	914	219
Accrued expenses	1,204	29
Net cash provided by operating activities	<u>\$ 379,755</u>	<u>\$ 259,665</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of machinery and equipment	<u>\$ (4,334)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	<u>\$ 17,140</u>	<u>\$ -</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 392,561</u>	<u>\$ 259,665</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>308,706</u>	<u>49,041</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 701,267</u></u>	<u><u>\$ 308,706</u></u>

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



**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

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**(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. In addition, due to the pandemic in the current year, the Organization provided food, rental and utility assistance, and other help to those in need.

**(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:

**Adoption of New Accounting Standard – ASU 2014-09 –**

In May 2014 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (GAAP). The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective September 1, 2019, the first day of the Organization's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

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There was no impact to net assets as of September 1, 2019, or to revenue for the year ended August 31, 2020, after adopting the ASU, as revenue recognition and timing of revenue did not change as a result of implementing the new ASU.

**Adoption of New Accounting Standard – ASU 2018-08 –**

In June 2018 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, “Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.”

The purpose of the ASU was to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU were intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-For-Profit Entities (previously adopted by the Organization), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions.

The Organization adopted the new standard effective September 1, 2019, the first day of Organization's fiscal year using the modified prospective approach. There was no change to the amount of net assets without donor restrictions or to the amount with donor restrictions previously or currently recognized as a result of the adoption of the new standard.

**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.

**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

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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 6).

**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.

**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.

**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

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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.

**Equipment** –

Additions are capitalized at cost or, if donated, at estimated fair market value on the date of the gift. Routine repairs and maintenance are expensed as incurred. Depreciation is provided for by using the straight-line method over the estimated lives of the assets of 5 years.

**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.

**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, 2020 and 2019.

**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

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As of August 31, 2020 and 2019, 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.

**(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, 2020 and 2019, is \$20,000.

**(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, 2020.

**(5) NOTE PAYABLE:**

On April 9, 2020, the Organization received a loan of \$17,140 under the Small Business Administration's Paycheck Protection Program. Under the terms of the loan, the balance will be fully forgiven provided the Organization meets the relevant requirements. These requirements include limitations on how the funds may be spent, with the majority of the funds required to be spent on payroll and employee benefits.

**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

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The Organization intends to apply for loan forgiveness during the year ending August 31, 2021. The Organization expects that all or substantially all of the loan will be forgiven as management believes the Organization has complied with the relevant requirements. Any amounts not forgiven would bear interest at 1%, with the first payment due March 9, 2021.

**(6) NET ASSETS WITH DONOR RESTRICTIONS:**

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
After-school program	\$ 7,375	\$ 450
Community outreach program	28,879	-
Capital campaign	575,723	308,650
	<b><u>\$ 611,977</u></b>	<b><u>\$ 309,100</u></b>

**(7) 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:

	<b><u>2020</u></b>	<b><u>2019</u></b>
After-school program	\$ 450	\$ 9,155

**C24/7: FATHER'S ARMS MINISTRIES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

**(8) LIQUIDITY:**

The Organization's financial assets available within one year of August 30, for general expenditure are as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 701,267	\$ 308,706
Contributions receivable	2,223	8,157
Pledges receivable	-	50,000
Financial assets at year-end	<b><u>\$ 703,490</u></b>	<b><u>\$ 366,863</u></b>

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.

	<b><u>2020</u></b>	<b><u>2019</u></b>
Financial assets at year-end	\$ 703,490	\$ 366,863
Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose	(611,977)	(309,100)
Less those unavailable for general expenditures within one year, due to board designation	<u>(20,000)</u>	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<b><u>\$ 71,513</u></b>	<b><u>\$ 37,763</u></b>

**(9) 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, 2020, restricted contributions from one organization comprised 36% of total contributions. For the year ended August 31, 2019, restricted contributions from three organizations or individuals comprised 44% of total contributions.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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(10) SUBSEQUENT EVENTS:

The Organization's management has performed an analysis of activities and transactions subsequent to August 31, 2020, 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.

In January 2020 the World Health Organization officially declared the coronavirus (COVID-19) a pandemic. Beginning in March 2020 and continuing through the date which the financial statements were available to be issued, a number of states instituted "shelter in place" orders as well as other guidance in response to the pandemic. These responses included closing nonessential businesses and limiting travel, which have had an adverse impact on the economy. The impact on the Organization cannot be reasonably estimated at this time.