



PASQUESI
SHEPPARD LLC
Accountants and Consultants

C24/7: FATHER'S ARMS MINISTRIES

FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 22, 2021

C24/7: FATHER'S ARMS MINISTRIES

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT:		
Cash and cash equivalents	\$ 1,166,789	\$ 701,267
Contributions receivable	2,241	2,223
Prepaid expenses	5,440	2,197
Deposits	20,000	51,000
Total current assets	<u>\$ 1,194,470</u>	<u>\$ 756,687</u>
Equipment		
Machinery and equipment	\$ 4,334	\$ 4,334
Less accumulated depreciation	(1,143)	(276)
Equipment, net	<u>\$ 3,191</u>	<u>\$ 4,058</u>
Total assets	<u><u>\$ 1,197,661</u></u>	<u><u>\$ 760,745</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 777	\$ 1,133
Accrued expenses	1,755	1,532
Note payable	23,400	17,140
Total liabilities	<u>\$ 25,932</u>	<u>\$ 19,805</u>
NET ASSETS:		
Without donor restrictions	\$ 368,594	\$ 128,963
With donor restrictions	803,135	611,977
Total net assets	<u>\$ 1,171,729</u>	<u>\$ 740,940</u>
Total liabilities and net assets	<u><u>\$ 1,197,661</u></u>	<u><u>\$ 760,745</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES:		
Contributions	\$ 386,024	\$ 267,196
Fundraising events	158,368	104,299
EIDL grant	-	4,000
PPP loan forgiveness	17,140	-
Net assets released from restrictions	32,175	450
Total revenues	<u>\$ 593,707</u>	<u>\$ 375,945</u>
EXPENSES:		
Program services	\$ 282,543	\$ 223,904
Management and general	33,496	32,215
Fundraising	38,037	48,079
Total expenses	<u>\$ 354,076</u>	<u>\$ 304,198</u>
Increase in net assets without donor restrictions	<u>\$ 239,631</u>	<u>\$ 71,747</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Contributions - program	\$ 30,706	\$ 36,254
Contributions - capital campaign	192,627	267,073
Net assets released from restrictions	(32,175)	(450)
Increase in net assets with donor restrictions	<u>\$ 191,158</u>	<u>\$ 302,877</u>
INCREASE IN NET ASSETS	<u>\$ 430,789</u>	<u>\$ 374,624</u>
NET ASSETS AT BEGINNING OF YEAR	<u>740,940</u>	<u>366,316</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,171,729</u></u>	<u><u>\$ 740,940</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, 2021

Expense Account	PROGRAMS						Management and General	Total Functional Expense
	After-School	Job Development	Community Outreach	Total Program	Fundraising			
Salaries	\$ 63,809	\$ 28,350	\$ 28,350	\$ 120,509	\$ 24,094	\$ 6,136	\$ 150,739	
Payroll taxes	5,326	1,913	1,913	9,152	590	591	10,333	
Covid assistance	-	-	73,226	73,226	-	-	73,226	
Meal assistance	6,600	91	5,751	12,442	-	-	12,442	
Events	3,747	-	-	3,747	3,880	-	7,627	
Rent and utilities	4,000	-	-	4,000	-	-	4,000	
Professional fees	-	-	-	-	-	19,291	19,291	
Supplies	11,812	2,989	1,717	16,518	4,586	697	21,801	
Printing and postage	-	-	-	-	2,265	-	2,265	
Participant support	10,052	-	7,519	17,571	-	-	17,571	
Insurance	5,068	2,346	2,346	9,760	588	3,227	13,575	
Depreciation	-	-	-	-	-	867	867	
Travel	1,164	132	36	1,332	-	-	1,332	
Dues & subscriptions	-	-	-	-	1,378	1,378	2,756	
Miscellaneous	12,002	1,288	996	14,286	656	1,309	16,251	
	<u>\$ 123,580</u>	<u>\$ 37,109</u>	<u>\$ 121,854</u>	<u>\$ 282,543</u>	<u>\$ 38,037</u>	<u>\$ 33,496</u>	<u>\$ 354,076</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

Expense Account	PROGRAMS						Total Functional Expense
	After- School	Job Development	Community Outreach	Total Program	Fundraising	Management and General	
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
Participant support	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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 430,789	\$ 374,624
Adjustments to reconcile changes in net assets to net cash provided by operating activities —		
Depreciation	867	276
PPP loan forgiveness	(17,140)	-
Impact on cash from changes in —		
Contributions receivable	(18)	5,934
Pledges receivable	-	50,000
Prepaid expenses	(3,243)	(2,197)
Deposits	31,000	(51,000)
Accounts payable	(356)	914
Accrued expenses	223	1,204
Net cash provided by operating activities	<u>\$ 442,122</u>	<u>\$ 379,755</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of machinery and equipment	\$ -	\$ (4,334)
Contributed investments	(50,191)	-
Proceeds from the sale of contributed investments	50,191	-
Net cash used for investing activities	<u>\$ -</u>	<u>\$ (4,334)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	\$ 23,400	\$ 17,140
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 465,522	\$ 392,561
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	701,267	308,706
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,166,789</u>	<u>\$ 701,267</u>

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

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

(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 last few years, the Organization provided food, rental, utility and other assistance to 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:

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.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

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.

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.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Equipment -

Additions are capitalized at cost or, if donated, at estimated fair market value on the date of the contribution. 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, 2021 and 2020.

As of August 31, 2021 and 2020, 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.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

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, was \$20,000. On September 1, 2020, the board removed the restrictions and there is no balance of board designated funds at August 31, 2021.

(4) NOTE PAYABLE:

On April 9, 2020, the Organization received a loan of \$17,140 under the Small Business Administration's Paycheck Protection Program (PPP). The loan was due to mature April 9, 2022, and had interest at a rate of 1.00% per annum. The Note could have been prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was fully forgiven on April 22, 2021. The forgiven amount is recognized as income.

On February 10, 2021, the Organization was granted a second loan in the aggregate amount of \$23,400, pursuant to the Paycheck Protection Program mentioned above. The loan is in the form of a note dated February 10, 2021, and has an interest rate of 1.00%. The Organization intends to apply for loan forgiveness during the year ending August 31, 2022.

Subsequent to year end, the Organization had the full amount of the second loan forgiven.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

(5) NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2021</u>	<u>2020</u>
After-school program	\$ 10,000	\$ 7,375
Job development program	20,706	-
Community outreach program	4,079	28,879
Capital campaign	768,350	575,723
	<u>\$ 803,135</u>	<u>\$ 611,977</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>2021</u>	<u>2020</u>
After-school program	\$ 7,375	\$ 450
Community outreach program	24,800	-
	<u>\$ 32,175</u>	<u>\$ 450</u>

(7) LIQUIDITY:

The Organization's financial assets available within one year of August 31, for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,166,789	\$ 701,267
Contributions receivable	2,241	2,223
Financial assets at year-end	<u>\$ 1,169,030</u>	<u>\$ 703,490</u>

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.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 1,169,030	\$ 703,490
Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose	(803,135)	(611,977)
Less those unavailable for general expenditures within one year, due to board designation	<u>-</u>	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 365,895</u>	<u>\$ 71,513</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, 2021, restricted contributions from one individual comprised 27% of total contributions. For the year ended August 31, 2020, restricted contributions from one organization comprised 36% of total contributions.

(9) SUBSEQUENT EVENTS:

The Organization's management has performed an analysis of activities and transactions subsequent to August 31, 2021, 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.

As noted in Footnote 4, on October 26, 2021, the Organization had their second PPP loan forgiven. On the same day, the Organization closed on a plot of land after an exhaustive search. The purchase price was \$427,000. The purchase of this property was paid solely from the net assets with donor restrictions and will allow the Organization to carryout their mission with a dedicated facility.