



**PASQUESI
SHEPPARD LLC**
ACCOUNTANTS AND CONSULTANTS

C24/7: FATHER'S ARMS MINISTRIES

**FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

**TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
C24/7: FATHER'S ARMS MINISTRIES
CHICAGO, IL 60626

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of C24/7: FATHER'S ARMS MINISTRIES, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about C24/7: FATHER'S ARMS MINISTRIES ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 C24/7: FATHER'S ARMS MINISTRIES internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about C24/7: FATHER'S ARMS MINISTRIES ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, 2022

C24/7: FATHER'S ARMS MINISTRIES

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT:		
Cash and cash equivalents	\$ 1,078,106	\$ 1,166,789
Contributions receivable	9,805	2,241
Prepaid expenses	4,140	5,440
Deposits	9,800	20,000
Total current assets	<u>\$ 1,101,851</u>	<u>\$ 1,194,470</u>
Property and Equipment		
Land	\$ 428,087	\$ -
Office equipment	4,196	4,334
Construction in progress	10,856	-
Less accumulated depreciation	<u>(1,508)</u>	<u>(1,143)</u>
Property and equipment, net	<u>\$ 441,631</u>	<u>\$ 3,191</u>
Total assets	<u>\$ 1,543,482</u>	<u>\$ 1,197,661</u>
	<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:		
Accounts payable	\$ 3,048	\$ 777
Accrued expenses	9,650	1,755
Note payable	-	23,400
Total liabilities	<u>\$ 12,698</u>	<u>\$ 25,932</u>
NET ASSETS:		
Without donor restrictions	\$ 798,773	\$ 368,594
With donor restrictions	732,011	803,135
Total net assets	<u>\$ 1,530,784</u>	<u>\$ 1,171,729</u>
Total liabilities and net assets	<u>\$ 1,543,482</u>	<u>\$ 1,197,661</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES:		
Contributions	\$ 332,260	\$ 386,024
Fundraising events	210,046	158,368
PPP loan forgiveness	23,400	17,140
Realized loss on disposal of equipment	(1,341)	-
Net assets released from restrictions	<u>327,165</u>	<u>32,175</u>
Total revenues	<u>\$ 891,530</u>	<u>\$ 593,707</u>
EXPENSES:		
Program services	\$ 357,209	\$ 282,543
Management and general	41,674	33,496
Fundraising	<u>62,468</u>	<u>38,037</u>
Total expenses	<u>\$ 461,351</u>	<u>\$ 354,076</u>
Increase in net assets without donor restrictions	<u>\$ 430,179</u>	<u>\$ 239,631</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Contributions - program	\$ 22,341	\$ 30,706
Contributions - capital campaign	233,700	192,627
Net assets released from restrictions	<u>(327,165)</u>	<u>(32,175)</u>
(Decrease) increase in net assets with donor restrictions	<u>\$ (71,124)</u>	<u>\$ 191,158</u>
INCREASE IN NET ASSETS	<u>\$ 359,055</u>	<u>\$ 430,789</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,171,729</u>	<u>740,940</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,530,784</u></u>	<u><u>\$ 1,171,729</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, 2022

Expense Account	PROGRAMS				Fundraising	Management and General	Total Functional Expense
	After-School	Job Development	Community Outreach	Total Program Services			
Salaries	\$ 62,033	\$ 41,204	\$ 27,112	\$ 130,349	\$ 25,551	\$ 6,725	\$ 162,625
Payroll taxes	5,692	3,726	2,473	11,891	2,289	633	14,813
Covid assistance	-	-	27,862	27,862	-	-	27,862
Meal assistance	11,115	1,882	33,528	46,525	-	90	46,615
Events	4,415	-	43,605	48,020	25,249	-	73,269
Rent and utilities	7,073	-	-	7,073	-	-	7,073
Professional fees	90	-	-	90	-	17,464	17,554
Supplies	13,979	1,038	6,940	21,957	4,686	3,175	29,818
Printing and postage	-	-	-	-	2,716	90	2,806
Participant support	8,886	1,377	18,070	28,333	-	-	28,333
Student support	13,450	6,876	45	20,371	-	-	20,371
Insurance	1,952	683	683	3,318	195	4,189	7,702
Depreciation	-	-	-	-	-	811	811
Real estate taxes	-	-	-	-	-	4,768	4,768
Travel	2,250	118	591	2,959	-	63	3,022
Dues & subscriptions	-	-	-	-	1,782	1,781	3,563
Miscellaneous	1,944	1,887	4,630	8,461	-	1,885	10,346
	<u>\$ 132,879</u>	<u>\$ 58,791</u>	<u>\$ 165,539</u>	<u>\$ 357,209</u>	<u>\$ 62,468</u>	<u>\$ 41,674</u>	<u>\$ 461,351</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				Fundraising	Management and General	Total Functional Expense
	After-School	Job Development	Community Outreach	Total Program Services			
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
Student support	11,085	-	-	11,085	-	-	11,085
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	917	1,288	996	3,201	656	1,309	5,166
	<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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 359,055	\$ 430,789
Adjustments to reconcile changes in net assets to net cash provided by operating activities –		
Depreciation	811	867
PPP loan forgiveness	(23,400)	(17,140)
Realized loss on disposal of equipment	1,341	-
Impact on cash from changes in –		
Contributions receivable	(7,564)	(18)
Prepaid expenses	1,300	(3,243)
Deposits	10,200	31,000
Accounts payable	2,271	(356)
Accrued expenses	7,895	223
Net cash provided by operating activities	<u>\$ 351,909</u>	<u>\$ 442,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (440,592)	\$ -
Contributed investments	(25,060)	(50,191)
Proceeds from the sale of contributed investments	25,060	50,191
Net cash used for investing activities	<u>\$ (440,592)</u>	<u>\$ -</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	<u>\$ -</u>	<u>\$ 23,400</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (88,683)</u>	<u>\$ 465,522</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,166,789</u>	<u>701,267</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,078,106</u></u>	<u><u>\$ 1,166,789</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, 2022 AND 2021

(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, 2022 AND 2021

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, 2022 AND 2021

Property and 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, 2022 and 2021.

As of August 31, 2022 and 2021, 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, 2022 AND 2021

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.

Reclassifications -

Certain accounts and descriptions in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

(3) 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 for the year ending August 31, 2021.

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 loan was fully forgiven on October 26, 2021. The forgiven amount is recognized as income for the year ending August 31, 2022.

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

(4) NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2022</u>	<u>2021</u>
After-school program	\$ 6,414	\$ 10,000
Job development program	-	20,706
Community outreach program	21,341	4,079
Capital campaign	704,256	768,350
	<u>\$ 732,011</u>	<u>\$ 803,135</u>

(5) 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>2022</u>	<u>2021</u>
After-school program	\$ 4,586	\$ 7,375
Job development program	20,706	-
Community outreach program	4,079	24,800
Capital campaign	297,794	-
	<u>\$ 327,165</u>	<u>\$ 32,175</u>

(6) LIQUIDITY:

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,078,106	\$ 1,166,789
Contributions receivable	9,805	2,241
Financial assets at year-end	<u>\$ 1,087,911</u>	<u>\$ 1,169,030</u>

C24/7: FATHER'S ARMS MINISTRIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

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.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,087,911	\$ 1,169,030
Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose	<u>(732,011)</u>	<u>(803,135)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 355,900</u>	<u>\$ 365,895</u>

(7) 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, 2022, restricted contributions from one foundation comprised 15% of total contributions. For the year ended August 31, 2021, restricted contributions from one individual comprised 27% of total contributions.

(8) SUBSEQUENT EVENTS:

The Organization's management has performed an analysis of activities and transactions subsequent to August 31, 2022, 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.

On September 1, 2022, a space sharing agreement became effective between the Organization and a third party. The agreement is for 18 months with a 12-month extension available, if mutually agreed upon. The monthly rent will be \$1,400 and provides a space for the Organization to run its various programs. This agreement will be subject to the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize lease assets and lease liabilities on their statement of financial position for all leases with terms exceeding 12 months. This updated standard will be effective for the year ending August 31, 2023 for the Organization and its effects are currently being evaluated.