

Amudim Community Resources, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019



Amudim Community Resources, Inc.

December 31, 2019

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Independent Auditor's Report

Board of Directors
Amudim Community Resources, Inc.
New York, New York

We have audited the accompanying financial statements of Amudim Community Resources, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 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 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.

Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amudim Community Resources, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

New York, New York
October 27, 2020

Amudim Community Resources, Inc.
Statement of Financial Position
December 31, 2019

Assets

Cash	\$ 1,903,272
Contributions receivable - current (net of allowance for doubtful accounts of \$800,000)	2,181,786
Prepaid expenses	39,715
Property and equipment, net	27,029
Security deposits	<u>5,093</u>
Total assets	<u><u>\$ 4,156,895</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 198,399
Loans payable	<u>26,040</u>
Total liabilities	224,439

Net Assets, Without Donor Restrictions

	<u>3,932,456</u>
Total liabilities and net assets	<u><u>\$ 4,156,895</u></u>

Amudim Community Resources, Inc.
Statement of Activities
Year Ended December 31, 2019

Revenues and Other Support	
Contributions	\$ 6,428,194
Government grants	512,266
Interest	<u>359</u>
Total revenues and other support	<u>6,940,819</u>
Expenses	
Program services	
Crisis intervention	<u>4,618,755</u>
Supporting services	
Management and general	1,408,148
Fundraising	<u>365,992</u>
Total supporting services	<u>1,774,140</u>
Total expenses	<u>6,392,895</u>
Change in Net Assets	547,924
Net Assets Without Donor Restrictions, Beginning of Year	<u>3,384,532</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 3,932,456</u></u>

Amudim Community Resources, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Crisis Intervention</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related expenses	\$ 1,508,179	\$ 281,644	\$ 57,064	\$ 1,846,887
Grant expense	776,144	-	-	776,144
Advertising and public awareness	243,752	-	50,352	294,104
Professional fees	30,000	81,172	-	111,172
Technology	91,595	45,412	-	137,007
Occupancy	135,519	23,915	-	159,434
Supplies	18,281	6,094	-	24,375
Postage and printing	57,980	-	42,319	100,299
Travel	43,971	40,026	1,248	85,245
Insurance	8,448	24,432	-	32,880
Educational expenses	161,686	-	-	161,686
Office, program and other	12,468	10,917	215,009	238,394
Staff training and development	85,395	61,407	-	146,802
Rehabilitation fees	1,424,832	-	-	1,424,832
Depreciation	-	7,543	-	7,543
Credit card and other fees	20,505	25,586	-	46,091
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses, before provision for uncollectable contributions	4,618,755	608,148	365,992	5,592,895
Provision for uncollectable contributions	-	800,000	-	800,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses included in the expense section on the statement of activities	<u>\$ 4,618,755</u>	<u>\$ 1,408,148</u>	<u>\$ 365,992</u>	<u>\$ 6,392,895</u>

Amudim Community Resources, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Operating Activities	
Change in net assets	\$ 547,924
Items not requiring (providing) operating cash flows	
Depreciation	7,543
Provision for doubtful accounts	800,000
Changes in	
Contributions receivable	(631,639)
Prepaid expenses	(39,715)
Security deposits	(1,700)
Accounts payable and accrued expenses	<u>15,105</u>
Net cash provided by operating activities	<u>697,518</u>
Investing Activities	
Purchase of property and equipment	<u>(9,475)</u>
Net cash used in investing activities	<u>(9,475)</u>
Financing Activities	
Repayments of loans	<u>(4,500)</u>
Net cash used in financing activities	<u>(4,500)</u>
Increase in Cash	683,543
Cash, Beginning of Year	<u>1,219,729</u>
Cash, End of Year	<u><u>\$ 1,903,272</u></u>

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2019

Note 1: Nature of Operations and Summary of Significant Account Policies

Nature of Operations

Amudim Community Resources, Inc. (Amudim) is a nonprofit organization providing crisis intervention and case management for individuals suffering from addiction, victims of sexual abuse and youth at risk.

Amudim is supported primarily by contributions.

Income Taxes

Amudim has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been held to be a publicly supported organization, and not a private foundation under Section 509(a). However, Amudim is subject to federal income tax on any unrelated business taxable income. Amudim files tax returns in the U.S. federal jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Amudim determines whether an allowance of uncollectibles should be provided for contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables and other sources, current economic conditions and historical information. Contributions and accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Provision for uncollectable contributions is charged if the receivable is determined to be uncollectible based on periodic review by management.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of \$5,000 and an estimated useful life of greater than one year are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed on the straight-line method over the shorter of the estimated useful lives of the assets or the term of the lease.

Estimated useful lives are as follows:

Leasehold improvements	5 years
Furniture and equipment	7 years

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2019

Long-Lived Asset Impairment

Amudim evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restriction are available for use in general operations and not subject to donor restrictions.

Contributions

Contributions are provided to Amudim either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on a future and uncertain event	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the barrier is substantially met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2019

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as Amudim meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Advertising

Advertising costs are expensed in the year they are incurred.

Rent Expense

Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis. The functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the actual expenditures and cost allocations estimated by Amudim's personnel, based on hours worked and other methods.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2019

Note 2: Property and Equipment

Leasehold improvements	\$ 29,010
Furniture and equipment	<u>16,925</u>
	45,935
Accumulated depreciation	<u>(18,906)</u>
	<u>\$ 27,029</u>

Note 3: Loans Payable

Amudim has uncollateralized loans from individuals unrelated to the organization. The loans are interest free and there are no specific repayment terms. The balance of the loans at December 31, 2019 was \$26,040.

Note 4: Occupancy

Amudim leases space for its operations. Rent expense for the year ended December 31, 2019 was \$141,244. The noncancelable lease agreement for rental of office space expires in June 2023.

The following are the minimum annual lease payments including utilities to be made:

2020	\$ 122,646
2021	125,437
2022	128,297
2023	<u>64,872</u>
Total	<u>\$ 441,252</u>

Note 5: Concentrations

Financial instruments which potentially subject Amudim to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

The amount of cash in excess of FDIC insurance limits was approximately \$1,577,000 as of December 31, 2019.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2019

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

Cash	\$ 1,903,272
Contributions receivable	<u>2,181,786</u>
Total financial assets	<u>4,085,058</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,085,058</u>

Amudim manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Amudim has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. Amudim has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 30 to 45 days of expected expenditures. To achieve these targets, Amudim forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended December 31, 2019, the level of liquidity and reserves was managed within the policy requirements.

Note 7: Subsequent Events

Subsequent events have been evaluated through October 27, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of Amudim. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. A portion of the provision for uncollectable contributions is attributed to certain receivables that management feels will not be collectible due to the COVID-19 economic uncertainties.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 10, 2020, Amudim received a loan in the amount of approximately \$280,800 pursuant to the Paycheck Protection Program. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report, any amount of forgiveness is unable to be determined.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2019

Note 8: Change in Accounting Principle

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

Effective January 1, 2019, Amudim adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all grants and contributions received and clarifies the accounting guidance applicable for grant accounting.

Historically, there was diversity in practice for accounting for grants. Some grantees considered grants to be an exchange transaction, whereas others reported grants as donor-restricted contributions. ASU 2018-08 provides guidance that unless the grantor is directly receiving value in the same amount as the services provided (an exchange transaction), the grant should be considered a contribution. In addition, if the grantor incorporates barriers into the contract and has a right of return, the transaction is considered to be a conditional contribution. Under the accounting guidance, conditional contributions are not recorded as revenue until the condition has been met.

In implementing ASU 2018-08, Amudim was required to evaluate all grant agreements. Adoption of the ASU did not cause a change in the timing and classification of grant revenues.

Note 9: Future Change in Accounting Principle

New Lease Accounting Standard

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. Amudim is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.