

Amudim Community Resources, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2018



Amudim Community Resources, Inc.

December 31, 2018

Contents

Independent Auditor's Report	1
---	----------

Financial Statements

Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2018, 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.

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, 2018, 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.

Emphasis of Matter

As described in *Note 9* to the financial statements, in 2018, Amudim Community Resources, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
November 12, 2019

Amudim Community Resources, Inc.
Statement of Financial Position
December 31, 2018

Assets

Cash	\$ 1,219,729
Contributions receivable - current	2,350,147
Property and equipment, net	25,097
Security deposits	<u>3,393</u>
Total assets	<u><u>\$ 3,598,366</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	183,294
Loans payable	<u>30,540</u>
Total liabilities	213,834

Net Assets, Without Donor Restrictions	<u>3,384,532</u>
---	------------------

Total liabilities and net assets	<u><u>\$ 3,598,366</u></u>
----------------------------------	----------------------------

Amudim Community Resources, Inc.
Statement of Activities
Year Ended December 31, 2018

Revenues and Other Support	
Contributions	\$ 7,049,344
Government grants	285,345
Interest	<u>141</u>
Total revenues and other support	<u>7,334,830</u>
Expenses	
Program services	
Crisis intervention	<u>3,758,208</u>
Supporting services	
Management and general	605,342
Fundraising	<u>338,275</u>
Total supporting services	<u>943,617</u>
Total expenses	<u>4,701,825</u>
Change in Net Assets	2,633,005
Net Assets Without Donor Restrictions, Beginning of Year	<u>751,527</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 3,384,532</u></u>

Amudim Community Resources, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Supporting Services		Total
	Crisis Intervention	Management and General	Fundraising	
Salaries and related expenses	\$ 1,045,528	\$ 170,238	\$ 40,872	\$ 1,256,638
Grant expense	698,540	-	-	698,540
Advertising and public awareness	-	-	185,300	185,300
Professional fees	-	72,572	46,782	119,354
Technology	29,083	44,268	-	73,351
Occupancy	75,817	33,261	-	109,078
Supplies	-	25,695	-	25,695
Postage and printing	-	1,980	7,049	9,029
Travel	347	41,072	-	41,419
Insurance	4,254	41,920	284	46,458
Educational expenses	551,164	38,311	-	589,475
Office, program and other	2,227	70,334	57,988	130,549
Staff training and development	11,482	34,243	-	45,725
Rehabilitation fees	1,339,766	-	-	1,339,766
Depreciation	-	6,866	-	6,866
Credit card and other fees	-	24,582	-	24,582
	<u>\$ 3,758,208</u>	<u>\$ 605,342</u>	<u>\$ 338,275</u>	<u>\$ 4,701,825</u>
Total expenses	<u>\$ 3,758,208</u>	<u>\$ 605,342</u>	<u>\$ 338,275</u>	<u>\$ 4,701,825</u>

Amudim Community Resources, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

Operating Activities	
Change in net assets	\$ 2,633,005
Items not requiring (providing) operating cash flows	
Depreciation	6,866
Changes in	
Contributions receivable	(2,280,087)
Accounts payable and accrued expenses	<u>131,463</u>
Net cash provided by operating activities	<u>491,247</u>
Financing Activities	
Repayments of loans	<u>(14,460)</u>
Net cash used in financing activities	<u>(14,460)</u>
Increase in Cash	476,787
Cash, Beginning of Year	<u>742,942</u>
Cash, End of Year	<u><u>\$ 1,219,729</u></u>

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

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 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).

Amudim is supported primarily by contributions.

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 during the reporting period. Actual results could differ from those estimates.

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

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, 2018.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

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 donor-imposed condition 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.

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.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

Government Grants

Revenue from government grants is recognized when earned. Expense based grants are recognized as allowable expenses are incurred.

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.

Note 2: Grant Reimbursements Receivable and Future Commitments

Amudim receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of Amudim are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2018, have been recorded as receivables. The following are the grant commitments that extend beyond December 31, 2018:

Grant	Grant Amount	Earned Through 2018	Funding Available
U.S. Department of Justice Office on Violence Against Women	<u>\$ 325,000</u>	<u>\$ 134,765</u>	<u>\$ 190,235</u>

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

Note 3: Property and Equipment

Leasehold improvements	\$	29,010
Furniture and equipment		<u>7,450</u>
		36,460
Accumulated depreciation		<u>(11,363)</u>
	\$	<u>25,097</u>

Note 4: 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, 2018 were \$30,540.

Note 5: Occupancy

Amudim leases space for its operations. Rent expense for the year ended December 31, 2018 was \$109,078. 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:

2019	\$	119,924
2020		122,646
2021		125,437
2022		128,297
2023		<u>64,872</u>
Total	\$	<u>561,176</u>

Note 6: 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 \$1,000,200 as of December 31, 2018.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

Note 7: 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, 2018, comprise the following:

Cash	\$ 1,219,729
Contributions receivable	<u>2,350,147</u>
Total financial assets	<u>3,569,876</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,569,876</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, 2018, the level of liquidity and reserves was managed within the policy requirements.

Note 8: Subsequent Events

Subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued.

Subsequent to year-end, Amudim signed a one-year noncancelable lease agreement for rental of office space for \$9,600.

Note 9: Change in Accounting Principle

In 2018, Amudim adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

Statements of Activities and Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

Note 10: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018. Amudim is in the process of evaluating the impact the amendment will have on the financial statements.

FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

Amudim Community Resources, Inc.

Notes to Financial Statements

December 31, 2018

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018. Amudim is in the process of evaluating the impact the amendment will have on the financial statements.

New Lease Accounting Standard

FASB 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 Amudim's annual periods beginning after December 15, 2019 and any interim periods within annual reporting periods that begin after December 15, 2020. A board decision was reached by FASB at its October 16, 2019 meeting to delay the effective date of Topic 842 by one year for these entities (*i.e.*, fiscal year beginning after December 15, 2020). Issuance of a final ASU related to this decision is expected later in 2019. Amudim is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.