

Micah's Place, Inc.

**Financial Statements
June 30, 2020**



Micah's Place, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Micah's Place, Inc.
Nassau County, Florida

We have audited the accompanying financial statements of Micah's Place Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 of 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 Micah's Place, Inc, as of June 30, 2020, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cowson & Stam, LLC .

Amelia Island, FL
October 28, 2020

Micah's Place, Inc.

Statement of Financial Position

at June 30, 2020

Assets

Current Assets	
Cash and Cash Equivalents	\$ 667,440
Grants Receivable	148,781
Prepaid Expenses	12,656
Inventory	15,000
Total Current Assets	<u>843,877</u>
Property & Equipment	1,327,262
Other Assets	
Deposits	5,620
Investments	482,029
Total Assets	<u>\$ 2,658,788</u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ -
Accrued Expenses	24,656
Current Portion of long term Debt	11,049
PPP Loan	209,000
Other Current Liabilities	1,600
Total Current Liabilities	<u>246,305</u>
Long Term Debt	<u>377,797</u>
Total Long Term Liabilities	<u>377,797</u>
Total Liabilities	<u>\$ 624,102</u>

Net Assets

Without Donor Restrictions	\$ 1,422,775.15
Designated by the Board for Operating Reserve	300,000
With Donor Restrictions	311,911
Total Net Assets	2,034,686
Total Liabilities and Net Assets	<u>\$ 2,658,788</u>

The accompanying notes are an integral part of this statement

Micah's Place, Inc.

Statement of Activities

For The Year Ended June 30, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues, Gains and other Support			
Contributions	\$ 238,977	\$ -	\$ 238,977
Grants & Contracts	-	972,416	972,416
Other	-	-	-
Thrift Store -Retail Sales	315,321	-	315,321
Investment Return, Net	8,458	-	8,458
Net Assets released from restrictions	972,416	(972,416)	-
Total Revenue, gains, and other support	<u>\$ 1,535,172</u>	<u>\$ -</u>	<u>\$ 1,535,172</u>
Expenses			
Program Services	1,160,957	-	1,160,957
Support Services			
Fund Raising	106	-	106
Thrift Store Operating Costs	234,515	-	234,515
Management and General	127,312	-	127,312
Total Expenses	<u>1,522,890</u>	<u>-</u>	<u>1,522,890</u>
Change in Net Assets	12,282	-	12,282
Net Assets, Beginning of Year	\$ 1,114,657	\$ 902,555	\$ 2,017,212
Net Asset released from restriction:			
Satisfied by Shelter Addition placed into service:	590,644	(590,644)	-
Net Asset Adjustment	5,192	0	5,192
Net Assets, End of Year	<u>\$ 1,722,775</u>	<u>\$ 311,911</u>	<u>\$ 2,034,686</u>

The accompanying notes are an integral part of this statement

Micah's Place, Inc.

Statement of Cash Flows

For The Year Ended June 30, 2020

Cash Flow from Operating Activities

Change in Net Assets	\$	12,282
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation		51,051
Unrealized loss		(6,573)
(Increase) decrease in operating assets		
Grants Receivable		(24,069)
Prepaid Expenses		13,168
Inventory		-
Increase (decrease) in operating liabilities		
Accounts Payable		(9,196)
Credit Card Payables		(2,694)
Payroll liabilities		(623)
Accrued Expenses		(11,872)
Net Cash Provided by Operations		21,474

Cash Flow from Investing Activities

Cash inflow Investment Interest & Dividends		22,444
Cash outflow Investment Expense		(7,413)
Cash outflow Purchase of fixed assets		(639,482)
Cash outflow Investment Purchases		(101,490)
Cash Inflow Investments Sold		106,577
Other		(96)
Net Cash used by Investing Activities		(619,461)

Cash Flow From Financing Activities

Cash inflow from PPP Loan		209,000
Cash inflow from Mortgage Proceeds		396,000
Long Term Debt Payments		(7,154)
Debt Interest Expense		(7,836)
Net Cash provided by Financing Activities		590,010

Net Decrease in Cash and Cash Equivalents (7,977)

Cash & Cash Equivalents Beginning of Year 675,417

Cash & Cash Equivalents End of Year \$ 667,440

The accompanying notes are an integral part of this statement

Micah's Place, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	<u>Program</u>	<u>Thrift Store</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 734,917	\$ 110,083	\$ 74,921	\$ -	\$ 919,920
Payroll Taxes	58,837	9,508	6,091	-	74,436
Other Employment Costs	66,810	4,824	256	-	71,889
Dues & Memberships	8,915	-	2,239	-	11,153
Fundraising Events	-	6,284	645	63	6,992
Insurance	19,024	4,407	3,107	-	26,538
Property Taxes	-	-	3,998	-	3,998
Advertising	1,141	58	979	43	2,221
Office Expenses	29,128	6,299	6,321	-	41,749
Maintenance	26,122	5,967	70	-	32,159
Shelter Operating costs	66,470	-	-	-	66,470
Contracted Services	16,829	957	17,182	-	34,968
Rent	23,028	50,210	1,322	-	74,560
Equipment	9,116	595	1,191	-	10,902
Mortgage Interest	6,269	-	1,567	-	7,836
Sales Tax	-	19,360	-	-	19,360
Telephone	15,854	2,595	1,496	-	19,945
Travel & Entertainment	12,400	2,038	125	-	14,562
Utilities	18,015	11,332	1,379	-	30,726
Other expenses	1,455	-	-	-	1,455
Depreciation	46,628	-	4,423	-	51,051
Total Expenses	<u>\$ 1,160,957</u>	<u>\$ 234,515</u>	<u>\$ 127,312</u>	<u>\$ 106</u>	<u>\$ 1,522,890</u>

The accompanying notes are an integral part of this statement

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – Description of the Organization

The Organization operates in Nassau County, Florida to provide shelter, support and counseling for domestic violence victims and their children. The Organization started in 2000. Funding comes from governmental grants, fundraisers, and contributions from a very strong volunteer group. The organization is managed by an Executive Director who is guided by an all-volunteer board of directors.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary, and restrictions may be met with the passage of time or by specific actions. Other restrictions may be in perpetuity.

Donor restricted contributions are reported as increases in net asset with donor restrictions. When the restrictions expire, net assets will be reclassified from net assets with donor restrictions to net assets without donor restrictions.

- (a) **Cash and Cash Equivalents** - For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits held with banks and short-term investments with an original maturity of ninety days or less.
- (b) **Grants and Contracts Receivable** - Grants and contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the history with grantors and contractors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.
- (c) **Investments** – Investments in marketable securities with readily determinable fair values are reported at their fair market values in the Statement of Financial Position.

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 - Summary of Significant Accounting Policies, cont'd

- (d) **Inventory** - Inventory consists of donated clothing and household items sold in the thrift stores. It is stated at the lower of cost or fair market value when contributed or estimated fair market value as of the financial statement date.
- (e) **Property and Equipment, net** - Property and equipment acquired by the Organization are owned by the Organization. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The assets that the organization does not ultimately control through restrictions on their use and disposal have been classified as With Donor Restrictions. The Federal government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$2,500 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to forty years. Repairs and maintenance expenses, which are not considered improvements and do not extend the useful life of the property and equipment, are expensed as incurred.

- (f) **Contributions** - Contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with Contributions with donor restrictions that increases this net asset class.

However, if a restriction is fulfilled in the same time in which the contribution is received, the organization reports the support as satisfaction of the restriction and reclasses the amount to without donor restrictions.

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 recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed property and equipment is recorded at fair value at the date of donation.

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 - Summary of Significant Accounting Policies, cont'd:

In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the entity has adopted a policy of not implying a time restriction on contributions of such assets.

Many volunteers have made significant contributions of their time to further the organizations mission. No amounts have been reflected in the financial statements for the volunteer hours.

- (g) **Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as determined by management. Methods of allocation: Rent expense is allocated by square footage. Payroll taxes and fringe benefits are allocated based on time spent on each program or grant. Expenses are charged to the program(s) that are directly benefited by the service or expense type. Expenses not related to a specific program are charged to the indirect cost pool. Indirect costs are allocated as a percentage of grant award over total budget.
- (h) **Accrued Leave** - The Organization has a policy that compensates its eligible employees for unused vacation leave, up to a predetermined maximum amount, upon termination of employment. Vacation leave is accrued up to the maximum liability as earned by eligible employees and recorded as an expense in the period earned.
- (i) **Income Taxes** - The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements.

Micah's Place, Inc. has reviewed and evaluated the relevant technical merits of each of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 - Significant Funding Sources:

The Organization receives a substantial amount of its funding and support from Florida Coalition Against Domestic Violence, the State of Florida Department of Children and Families and Office of Attorney General. A significant reduction in the level of this funding, if this were to occur, could have a material adverse effect on the Organization's programs and activities.

NOTE 4 - Matching Requirements:

The Organization received a portion of its support through grants and contracts. Certain grants and contracts require the Organization to provide specified amounts of matching revenue. Each contract, where applicable, has met all matching requirements. Also, for each contract that ended on or before June 30, 2020, no obligation remains outstanding to the funding source.

NOTE 5 - Endowment Fund Agreement:

The Organization entered into an endowment fund agreement with the Community Foundation of North Florida, Inc. (the "Foundation"). Donations to the endowment fund are held and invested by the Foundation. Annually, Micah's Place, Inc. receives the investment interest earned. Because the Foundation, holds the endowment fund assets, they are not reported as assets of the Organization.

NOTE 6 – Property and Equipment

The following is a summary of property and equipment at June 30, 2020:

Buildings and Improvements	\$	1,306,237
Leasehold Improvements		95,195
Furniture and equipment		78,405
Vehicles		58,392
Land		<u>266,509</u>
		1,804,738
Less accumulated depreciation		(477,476)
Total		<u>1,327,262</u>

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 6 – Property and Equipment cont'd:

The Organization completed construction on the Shelter expansion in August 2019, and it was subsequently placed into service. Depreciation expense at June 30, 2020 was \$51,051.

NOTE 7 – Debt Obligations:

The Organization purchased a property in October 2019 to house their administrative and outreach offices. The purchase price was \$495,000. The Organization paid \$99,000 in a cash down payment and obtained a \$396,000 loan from VyStar Bank. The loan bears a fixed interest rate of 2.98%. However, the loan is amortized over twenty -five years and the entire remaining balance together with accrued and unpaid interest shall be due and payable in fifteen years,(October 2034). After maturity, this note shall bear interest at 18% per annum. Interest expense at June 30, 2020 was \$7,836.

Loan Balance at June,30,2020	\$ 388,846
Less Current Portion	<u>(11,049)</u>
	\$ 377,797
Future Principle Payments	
years ending June 30:	
June 2022	\$11,382
June 2023	11,726
June 2024	12,080
June 2025	<u>12,445</u>
Remaining Balance:	\$330,164

NOTE 8 - Operating Leases:

The Organization leases the land where its shelter is located from Nassau County, Florida. The initial term of the lease is for ninety-nine years, beginning April 22, 2002 and ending April 22, 2101. The lease may be extended by mutual consent of both parties. The future minimum rental payment is \$1 per year. The Organization is required to use the property for a shelter to help domestic violence victims by providing safe shelter and support services.

The organization leases retail space for the thrift stores, storage, and office equipment. The Fernandina lease ends May 2023 with an option to renew for an additional five years. The Callahan lease ends November 2023.

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - Operating Leases cont'd:

The future obligations under these operating leases are as follows:

2021	87,557
2022	89,366
2023	<u>91,546</u>
Total	<u>\$ 268,469</u>

NOTE 9 – Payroll Protection Loan:

On April 16, 2020, the Organization was granted a loan from First Federal Bank in the amount of \$209,000 pursuant to the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The purpose of the loan is to provide the Borrower with emergency financial assistance in response to the Borrower having been affected by the Covid 19 pandemic.

The Loan matures on April 16, 2022 and bears interest at 1.00% per year, payable monthly commencing on November 11, 2020. The loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, interest on mortgages, rent and utilities over the 24 week period after the loan was made and employee and compensation levels are maintained. Under the term of the loan, amount may be forgiven if used for qualifying expenses as described.

The Organization is accounting for the Loan as a financial liability in accordance with FASB ASC Topic 470, Debt. It initially recorded the cash inflow as a liability and will accrue interest in accordance with the interest method under ASC Subtopic 835-30. Once the loan is forgiven and the organization has been legally released of all liabilities. It will record a reduction of the liability and record a gain on the debt extinguishment. The Organization has submitted a Loan forgiveness application and believes the debt will be wholly extinguished. Therefore, debt schedule at Note 7 excludes this loan balance.

NOTE 10 - Net Assets:

At June 30, 2020 all restrictions placed on grants have been fulfilled and released from restriction. Contributions received that were designated for the shelter expansion have been reported as Contributions with Donor Restrictions. Shelter expansion contributions were released from restriction as the shelter was placed into service.

The Investment Committee has determined a reserve in the amount of \$300,000 to cover unanticipated operating needs.

MICAH'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 - Concentration of Credit Risk:

Cash and Cash Equivalents include all monies on hand, in banks, and in short term investments with a maturity of less than one year. Cash and cash equivalents are deposited in financial institutions insured by the FDIC up to \$250,000.

The organization has adopted investment and spending policies for its invested funds that attempt to subject the funds to low investment risk. These funds are subject to market fluctuations and credit risk based on the nature of the investment. The investment funds are not subject to FDIC insurance coverage.

Note 12 – Availability and Liquidity:

The following represent the organizations financial assets at June 30, 2020

Cash and Cash Equivalents	\$ 667,440
Grants receivable	148,781
Investments	<u>482,029</u>

Total **\$ 1,298,250**

Less amounts not available to be used
Within one year:

Board designated funds for future use	<u>300,000</u>
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Total financial assets available to meet
general expenditures over the next twelve months **\$1,268,250**

The organizations goal is to maintain financial assets to meet 90 days of operating expenses.

NOTE 13 - Date of Management's Review:

In preparing the financial statements, Micah's Place has evaluated events and transactions for potential recognition or disclosure through October 28, 2020 the date the financial statements were available to be issued

NOTE 14- Obligations

On July 3, 2020, the Organization purchased a new van totaling \$43,590. Seventy five percent of the purchase price (\$32,592) was paid by VOCA grant funds and twenty five percent was paid by the organization (\$10,998). The organization received Grantor approval July 2, 2020.