

TRANSFORMATIONS BY AUSTIN ANGELS



REVIEW OF FINANCIAL STATEMENTS

as of and for the year ended December 31, 2018

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Transformations by Austin Angels
Austin, Texas

We have reviewed the accompanying financial statements of Transformations by Austin Angels (a nonprofit organization), which comprise the statement of financial position-modified cash basis as of December 31, 2018, and the related statements of activities-modified cash basis, functional expenses-modified cash basis, and cash flows-modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Austin, Texas
April 24, 2019

A handwritten signature in cursive script that reads "Bull + Associates". The signature is written in dark ink and is positioned to the right of the date.

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENT OF FINANCIAL POSITION-MODIFIED CASH BASIS
December 31, 2018

See Independent Accountants' Compilation Report

ASSETS

	2018
Current assets:	
Cash	\$ 423,434
Deposits	2,450
Total current assets	425,884
Total assets	\$ 425,884

LIABILITIES AND NET ASSETS

Current liabilities:	
Credit card liabilities	\$ 1,788
Overpayments - due to chapters	38,795
Total current liabilities	40,583
Net Assets:	
Without donor restrictions	385,301
With donor restrictions	-
Total net assets	385,301
Total liabilities and net assets	\$ 425,884

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

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
for the year ended December 31, 2018

See Independent Accountants' Compilation Report

	2018
Changes in net assets without donor restrictions:	
Revenues and gains:	
Contributions	\$ 527,559
Grants	19,350
Special events	445,532
Programs - National	150,912
Other	1,560
	<hr/>
Total revenues and gains without donor restrictions	1,144,913
	<hr/>
Net assets released from restrictions:	
Satisfaction of program restrictions	15,000
	<hr/>
Total net assets released from restrictions	15,000
	<hr/>
Expenses:	
Expenses - Austin	605,980
Expenses - National	133,376
Management and General	49,645
Fund-raising	143,571
	<hr/>
Total expenses	932,572
	<hr/>
Increase in net assets without donor restrictions	227,341
	<hr/>
Changes in net assets with donor restrictions:	
Grants	15,000
Net assets released from restrictions	(15,000)
	<hr/>
Increase (decrease) in net assets with donor restrictions	-
Increase in net assets	227,341
Net assets at beginning of year	157,960
	<hr/>
Net assets at end of year	\$ 385,301
	<hr/> <hr/>

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

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS
for the year ended December 31, 2018

See Independent Accountants' Compilation Report

	Program Activities			Supporting Activities			
	Program Expenses (Austin)	Program Expenses (National)	Program Subtotal	Fundraising Expenses	Management and General Expenses	Supporting Subtotal	Total Expenses
Advertising & Promotion	\$ 7,518	\$ 1,233	\$ 8,751	\$ -	\$ 505	\$ 505	\$ 9,256
Bank Charges	6,438	-	6,438	-	1,458	1,458	7,896
Contract Labor	9,613	-	9,613	227	390	617	10,230
Dare to Dream	34,078	-	34,078	-	-	-	34,078
Dues & Subscriptions	2,759	1,189	3,948	-	559	559	4,507
Education & Training	9,239	3,014	12,253	545	904	1,449	13,702
Insurance	1,959	581	2,540	-	63	63	2,603
Love Boxes	207,452	-	207,452	-	-	-	207,452
Meals	858	222	1,080	-	37	37	1,117
Miscellaneous	2,944	850	3,794	-	365	365	4,159
Office Expenses	17,181	2,593	19,774	-	2,456	2,456	22,230
Payroll & Payroll Taxes	186,268	94,812	281,080	7,281	30,680	37,961	319,041
Professional Fees	3,755	28,296	32,051	-	8,243	8,243	40,294
Rent	29,953	-	29,953	-	2,918	2,918	32,871
Repairs & Maintenance	61	-	61	-	6	6	67
Special Events	69,813	-	69,813	135,518	33	135,551	205,364
Telephone	1,614	322	1,936	-	182	182	2,118
Travel	2,663	-	2,663	-	163	163	2,826
Utilities	1,229	-	1,229	-	124	124	1,353
Website	10,585	264	10,849	-	559	559	11,408
	<u>\$ 605,980</u>	<u>\$ 133,376</u>	<u>\$ 739,356</u>	<u>\$ 143,571</u>	<u>\$ 49,645</u>	<u>\$ 193,216</u>	<u>\$ 932,572</u>

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

TRANSFORMATIONS BY AUSTIN ANGELS
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
for the years ended December 31, 2018

See Independent Accountants' Review Report

	<u>2018</u>
Increase in net assets	<u>\$ 227,341</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Donated goods included in contributions	(298,980)
Donated goods included in programs expenses	298,980
(Increase) decrease in:	
Deposits	(2,450)
Increase (decrease) in:	
Credit card liability	1,788
Overpayments due to chapters	<u>38,795</u>
Total adjustments	<u>38,133</u>
Net cash provided (used) by operating activities	<u>265,474</u>
Net increase (decrease) in cash and cash equivalents	265,474
Cash and cash equivalents, beginning of year	<u>157,960</u>
Cash and cash equivalents, end of year	<u><u>\$ 423,434</u></u>

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

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Transformations by Austin Angels (Austin Angels) was founded in 2010 to provide supplies, mentorship, and assistance to children in the foster care system, as well as their caretakers. The major programs of the Organization include the production of "Love Boxes," care packages sent to support the physical and emotional needs of the children fostered as well as their foster families, and an emphasis on serving children who have, or are on the verge of, aging out of the foster care system. Austin Angels operates in central Texas, but also supports the formation of additional chapters throughout the United States.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Cash and Cash Equivalents

Austin Angels considers cash and cash equivalents to be checking and savings accounts, money market funds, and certificates of deposit with original maturities of three months or less.

Contributions and Promises to Give

Contributions are recognized when received according to the modified cash basis of accounting. As restrictions expire or are fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of December 31, 2018, there were no unfulfilled restrictions, nor were there any outstanding promises to give that were, in substance, unconditional.

Contributed Services

Austin Angels receives significant support in the form of services provided at no cost. These services are primarily for the preparation and delivery of "Love Boxes," with some administrative and legal support. Total services for 2018 were estimated at \$160,855, of which \$5,303 was recognized as contributions of revenue due to qualifying as specialized service income. The remaining \$155,552 valued for non-specialized services received was not recognized on the Statement of Activities. The Organization received more than 6,500 volunteer hours in 2018.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Income Taxes

Austin Angels is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Management is not aware of any tax provisions that would have a significant impact on its financial position. Penalties and interest assessed by income taxing authorities are included in program and general and administrative expense, if incurred. The federal income tax returns of the Organization are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cost allocation

Expenses are applied to one of the major classifications as they are recorded. Expenses that apply to more than one major classification are allocated on a reasonable basis that is consistently applied.

Related Parties

Austin Angels provides administrative support for other chapters throughout the United States. The Organization receives funds raised by the other chapters and provides training, supplies, and administrative services which includes bookkeeping and preparation of an annual consolidated tax return (Form 990). The amount received from related parties in 2018 was \$150,912.

As of December 31, 2018, Austin Angels held \$38,795 in fundraising receipts payable to other chapters upon beginning operations in 2019.

Advertising Cost

The Organization uses non-direct response advertising; all advertising costs are expensed as incurred and totaled \$9,256 for the year ended December 31, 2018.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Organization as Intermediary

Austin Angels occasionally receives donations intended to be given to a particular family or group of families. Contributions are treated as an increase to net assets when received and as a decrease to net assets when delivered to the intended recipient.

New Accounting Pronouncements not in effect at December 31, 2018

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In January 2016, the FASB issued a new accounting pronouncement regarding recognition and measurement of financial assets and liabilities for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued a new accounting pronouncement regarding classification of certain cash receipts and cash payments on the Statement of Cash Flows for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In June 2018, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding the classification of transactions as contributions or exchange transactions effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

New Accounting Pronouncements Applied in 2018

ASU 2016-14 was applied on these financial statements. Primary effects include presentation of the financial statements and footnote disclosures.

SSARS 24 was implemented early and was applied on these financial statements. Primary effects include presentation of the financial statements and footnote disclosures.

2. Concentrations

Market and Geographic Area

The Organization provides services in the Austin area of Central Texas and surrounding counties. The majority of contributions are received from a broad base of individuals and businesses in Central Texas. The Organization is directly affected by the economic conditions in Central Texas.

Volume of Business

During 2018, there were no single donors that contributed over 5% of total contributions.

Credit Risk

In the normal course of business, the Company may have deposits in financial institutions in excess of the FDIC limit.

3. Operating Leases

Austin Angels entered into a lease for office space in February 2018. The organization pays a below-market rate, with the difference from market being treated as an in-kind contribution. The agreement expires in January 2020. Monthly rent payments were initially \$2,000, but increased in August 2018 to \$2,100 and are scheduled to increase again in February 2019 to \$2,200. Rent expense for the year ended December 31, 2018 was \$22,500 with a market value of \$32,871.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Future minimum rental payments for the five succeeding fiscal years are as follows:

2019	\$	26,300
2020		2,200
2021		-
2022		-
2023		-
Thereafter		-
Total	\$	<u>28,500</u>

4. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2018
Financial assets at year-end	\$ 423,434
Less those unavailable for general expenditures within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year.	<u>\$ 423,434</u>

As part of the Organization's liquidity management, cash is held in a checking account that earns annual interest at 0.05%.

5. Subsequent Event

Starting in January 2019, Austin Angels will receive 10% of all funds raised by affiliated chapters in exchange for ongoing administrative support and training.

Subsequent events were evaluated through the date these financial statements became available which was April 24, 2019.