# TRANSFORMATIONS BY AUSTIN ANGELS

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## REVIEW OF FINANCIAL STATEMENTS

**as of and for the year ended**
**December 31, 2019**

Bull
& Associates
Certified Public Accountants
E.J. (Sandy) Bull
Kathryn A. (Katie) Kelly

# 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 assets, liabilities and net assets-modified cash basis as of December 31, 2019, and the related statements of revenues, expenses and changes in net assets-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. 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.

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**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**

We draw attention to Note 1 of the financial statements which describes the 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 29, 2020

Bull + Associates

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED CASH BASIS
as of December 31, 2019

See Independent Accountants' Review Report

ASSETS

| | 2019 |
|---|---|
| Current assets: | |
| Cash | $ 442,480 |
| Deposits | 2,150 |
| Total current assets | 444,630 |
| Total assets | $ 444,630 |

LIABILITIES AND NET ASSETS

| | |
|---|---|
| Current liabilities: | |
| Credit card liabilities | $ 200 |
| Overpayments - due to chapters | 14,197 |
| Total current liabilities | 14,397 |
| Net Assets: | |
| Without donor restrictions | 420,374 |
| With donor restrictions | 9,859 |
| Total net assets | 430,233 |
| Total liabilities and net assets | $ 444,630 |

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

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS-MODIFIED CASH BASIS
for the year ended December 31, 2019

See Independent Accountants' Review Report

| | 2019 |
|---|---|
| Changes in net assets without donor restrictions: | |
| Revenues and gains: | |
| Contributions | $ 516,578 |
| Grants | 100,050 |
| Special events | 571,559 |
| Programs - National | 151,758 |
| Other | 5,698 |
| Total revenues and gains without donor restrictions | 1,345,643 |
| Net assets released from restrictions: | |
| Satisfaction of program restrictions | 23,471 |
| Total net assets released from restrictions | 23,471 |
| Expenses: | |
| Expenses - Austin | 795,131 |
| Expenses - National | 319,542 |
| Management and General | 103,778 |
| Fund-raising | 115,590 |
| Total expenses | 1,334,041 |
| Increase in net assets without donor restrictions | 35,073 |
| Changes in net assets with donor restrictions: | |
| Grants | 33,330 |
| Net assets released from restrictions | (23,471) |
| Increase (decrease) in net assets with donor restrictions and total net assets with donor restrictions | 9,859 |
| Increase in total net assets | 44,932 |
| Net assets at beginning of year | 385,301 |
| Net assets at end of year | $ 430,233 |

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, 2019

See Independent Accountants' Review 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 | $ 16,600 | $ 2,134 | $ 18,734 | $ 7 | $ 4,582 | $ 4,589 | $ 23,323 |
| Bank Charges | 2,117 | - | 2,117 | - | 570 | 570 | 2,687 |
| Contract Labor | 10,557 | - | 10,557 | 254 | 1,332 | 1,586 | 12,143 |
| Dare to Dream | 47,582 | - | 47,582 | - | - | - | 47,582 |
| Dues & Subscriptions | 886 | 10,101 | 10,987 | - | 2,352 | 2,352 | 13,339 |
| Education & Training | 9,937 | 24,586 | 34,523 | 114 | 6,372 | 6,486 | 41,009 |
| Insurance | 2,058 | 490 | 2,548 | 238 | 252 | 490 | 3,038 |
| Love Boxes | 221,332 | - | 221,332 | - | - | - | 221,332 |
| Meals | 754 | - | 754 | 5 | 184 | 189 | 943 |
| Office Expenses | 15,223 | 1,233 | 16,456 | 3 | 4,159 | 4,162 | 20,618 |
| Payroll & Payroll Taxes | 317,551 | 239,855 | 557,406 | 16,328 | 61,511 | 77,839 | 635,245 |
| Professional Fees | 11,277 | 40,398 | 51,675 | - | 12,126 | 12,126 | 63,801 |
| Rent | 28,593 | - | 28,593 | - | 7,148 | 7,148 | 35,741 |
| Special Events | 106,615 | - | 106,615 | 98,641 | 1,993 | 100,634 | 207,249 |
| Telephone | 954 | 642 | 1,596 | - | 399 | 399 | 1,995 |
| Travel | 1,005 | 44 | 1,049 | - | 260 | 260 | 1,309 |
| Utilities | 1,315 | - | 1,315 | - | 329 | 329 | 1,644 |
| Website | 775 | 59 | 834 | - | 209 | 209 | 1,043 |
| | $ 795,131 | $ 319,542 | $ 1,114,673 | $ 115,590 | $ 103,778 | $ 219,368 | $ 1,334,041 |

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

TRANSFORMATIONS BY AUSTIN ANGELS
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
for the year ended December 31, 2019

See Independent Accountants' Review Report

| | 2019 |
|---|---|
| Increase in net assets | $ 44,932 |
| Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities: | |
| (Increase) decrease in: | |
| Deposits | 300 |
| Increase (decrease) in: | |
| Credit card liability | (1,588) |
| Overpayments due to chapters | (24,598) |
| Total adjustments | (25,886) |
| Net cash provided (used) by operating activities | 19,046 |
| Net increase (decrease) in cash and cash equivalents | 19,046 |
| Cash and cash equivalents, beginning of year | 423,434 |
| Cash and cash equivalents, end of year | $ 442,480 |

The accompanying notes are an integral
part of these 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 financial statements of Austin Angels are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of accounts receivable, accrued expenses, accounts payable, deferred expenses and other assets that may be material in amount are not reflected. The variances also include the omission of the bifurcation of transactions between contributions and exchange components. The exchange component would require identification of performance obligations with the recognition of income when a performance obligation is satisfied. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect credit card liabilities as of December 31, 2019 and contributions of goods and contributed services which require a specialized skill which are recorded at their estimated value at the date of the contribution or when the services are rendered. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

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. These net assets may be used at the discretion of Austin Angels management and the board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Austin Angels. or by the passage of time.

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

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.

Special Events

The Organization has special events. The gross revenue from the special events is presented on the Statement of Revenue Expense and Other Changes in Net Assets. The expenses of the special events which include the direct benefit costs to the donor and fundraising costs of the event are presented on the Statement of Functional Expenses with other programs and fundraising respectively. This presentation differs from generally accepted accounting principles which would require the revenue and expense of the special events to be bifurcated between the contribution by the donor and the exchange transaction with the donor.

Non-Cash Contributions

Austin Angels receives significant support in the form of non-cash goods provided at no cost. These goods included food items, gift cards and certificates, clothing, school and office supplies, household goods, discounts on items otherwise purchased, and other miscellaneous goods.

The estimated value of these contributions has been included in revenue and expenses on the financial statements. Noncash contributions recognized in 2019 totaled $298,880, which was utilized by program or activities as follows:

| | | |
|---|---|---|
| Love Boxes | $ | 182,034 |
| Dare to Dream | | 28,595 |
| Other programs | | 50,953 |
| Total Programs | | 261,582 |
| Management and General | | 4,478 |
| Fundraising | | 32,820 |
| Total Expense | $ | 298,880 |

Contributed Services

Austin Angels benefits from the services of directors and volunteers provided at no cost. These services are not included in the financial statements as they do not require specific expertise but which are nonetheless central to their operations. The number of contributed service hours by program or activities are as follows:

| | | |
|---|---|---|
| Love Boxes | 4,027 | hours |
| Dare to Dream | 1,188 | |
| General Volunteers | 2,247 | |
| Board of Directors | 598 | |
| Total Hours | 8,060 | hours |

Contributed services that qualify as specialized service income has been included in revenue and expenses on the financial statements. These services include photography, legal services, artists, and specialized training. Specialized services recognized in 2019 totaled $14,725, which was utilized by programs or activities as follows:

| | | |
|---|---|---|
| Love Boxes | $ | 250 |
| Dare to Dream | | 675 |
| Other programs | | 9,740 |
| Total Programs | | 10,665 |
| Management and General | | 860 |
| Fundraising | | 3,200 |
| Total Expense | $ | 14,725 |

## 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 the modified cash basis of accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of revenues, expenses, and other changes in net assets. The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Such allocations are determined by management on an equitable basis. Those functional expenses allocated are based on management's estimate of the proper allocation based on the following criteria:

The expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|---|
| Advertising and promotion | Targeted to benefit |
| Bank charges | Donations received and expense applied |
| Dues and subscriptions | Targeted to benefit |
| Education and training | Targeted to benefit |
| Insurance | Type of risk covered |
| Office expenses | Targeted to benefit |
| Payroll and payroll taxes | Time allocated to functional area |
| Rent | Staff duties, training events, volunteer services, program meetings to total usage |
| Telephone | Targeted to benefit |
| Utilities | Staff duties, training events, volunteer services, program meetings to total usage |
| Website | Targeted to benefit |

Related Parties

Austin Angels provides administrative support for other chapters throughout the United States. In 2019, each chapter was required to provide start-up costs of $12,500 (Increased to $25,000 September of 2019) and administrative fees equal to 10% of total revenues, calculated quarterly. In return, Austin Angels provided all administrative support. including bookkeeping, payroll processing, marketing, training, supplies, preparation of a consolidated tax return (Form 990) and other miscellaneous services. The amount received from related parties in 2019 was $151,758.

As of December 31, 2019, Austin Angels held $14,197 in fundraising receipts payable to other chapters upon beginning operations in 2020.

In 2020, Austin Angels began the process of restructuring its organization and establishing the other chapters as separately reporting entities. See Note 6.

Advertising Cost

The Organization uses non-direct response advertising; all advertising costs are expensed as disbursed and totaled $23,323 for the year ended December 31, 2019.

New Accounting Pronouncement Adopted

In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230)-Classification of Certain Cash Receipts and Cash Payments. This update addresses the inconsistency of classification of certain cash receipts and cash payments in the statement of cash flow by providing guidance on the classification of certain cash receipts and cash payments. The adoption of this new accounting pronouncement has had no effect on the presentation of the cash flow statement for 2019.

Measure of Operations

The statements of revenues, expenses, and other changes in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Austin Angels' ongoing foster care services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. Austin Angels had no nonoperating activities for the year ended December 31, 2019.

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 2019, there were no single donors that contributed over 5% of total contributions.

Credit Risk

The Company holds accounts with multiple financial institutions to ensure balances remain below the FDIC limit.

Nature's Risk

The Organization's access to resources from charitable contributions and volunteer services may be subject to natural catastrophic events beyond its control, such as health epidemics, natural disasters, and other catastrophes, which may materially and adversely affect future performance of the Organization's stated purpose. Pandemics such as the current coronavirus outbreak may be one of these events.

3. Operating Leases

Austin Angels entered into a lease for office space in February 2018. The agreement expires in January 2020. Monthly rent payments were initially $2,000, but increased in August 2018 to $2,100 and increased again in February 2019 to $2,200. Rent expense for the year ended December 31, 2019 was $26,300, with an estimated value of $35,741. The lease was renewed until January 31, 2022. See note 6.

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

| | | |
|---|---|---|
| 2020 | $ | 31,800 |
| 2021 | | 35,800 |
| 2022 | | 3,000 |
| 2023 | | - |
| 2024 | | - |
| Thereafter | | - |
| Total | $ | 70,600 |

4. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | 2019 |
|---|---|
| Financial assets at year-end | $ 442,480 |
| Restricted by donor with time or purpose restriction | $ (9,859) |
| Less those unavailable for general expenditures within one year. | - |
| Financial assets available to meet cash needs for general expenditure within one year. | $ 432,621 |

As part of the Organization's liquidity management, cash is held in a checking account that earns annual interest at 0.05% and a money market account earning annual interest at 1.8%.

5. Revenue from Grants

The Organization recognized revenue from grants without restrictions in the amount of $100,050 in 2019. The Organization recognized revenue from grants with restrictions in the amount of $33,330. In 2019, the Organization satisfied restrictions on $23,471 of restricted grants. At December 31, 2019, donor restricted grants were $9,859 which were restricted by specific purpose.

6. Subsequent Event

On February 1, 2020, Austin Angels extended its office lease until January 31, 2022.

In 2020, the Organization applied to have its tax-exempt status revised to a group exemption and has begun the processing establishing the individual chapters as separate entities with separate EINS.

Subsequent events were evaluated through the date these financial statements became available which was April 29, 2020.