

TRANSFORMATIONS BY AUSTIN ANGELS

REVIEW OF FINANCIAL STATEMENTS

**as of and for the year ended
December 31, 2020**

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, 2020, 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.

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.

A handwritten signature in blue ink that reads "Bull + Associates". The signature is written in a cursive, flowing style.

Austin, Texas
April 23, 2021

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED CASH BASIS
as of December 31, 2020

See Independent Accountants' Review Report

ASSETS

	2020
Current assets:	
Cash	\$ 838,646
Credit card overpayments	14
Deposits	<u>2,150</u>
Total current assets	<u>840,810</u>
Property and equipment:	
Office furniture and equipment	<u>3,199</u>
	3,199
Accumulated depreciation	<u>(53)</u>
Net property and equipment	<u>3,146</u>
Total assets	<u><u>\$ 843,956</u></u>

LIABILITIES AND NET ASSETS

Other liabilities:	
PPP loan	<u>\$ 165,000</u>
Total other liabilities	<u>165,000</u>
Net Assets:	
Without donor restrictions	658,368
With donor restrictions	<u>20,588</u>
Total net assets	<u>678,956</u>
Total liabilities and net assets	<u><u>\$ 843,956</u></u>

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, 2020

See Independent Accountants' Review Report

	<u>2020</u>
Changes in net assets without donor restrictions:	
Revenues and gains:	
Contributions	\$ 620,287
Grants	23,000
Special events	359,182
Programs - National	473,344
Gain/(loss) on sale of donated stock	(2,965)
Other	<u>3,441</u>
Total revenues and gains without donor restrictions	<u>1,476,289</u>
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>44,746</u>
Total net assets released from restrictions	<u>44,746</u>
Expenses:	
Programs - Austin	856,881
Programs - National	311,207
Management and General	91,526
Fundraising	<u>23,427</u>
Total expenses without donor restriction	<u>1,283,041</u>
Increase in net assets without donor restrictions	<u>237,994</u>
Changes in net assets with donor restrictions:	
Grants	55,475
Net assets released from restrictions	<u>(44,746)</u>
Increase (decrease) in net assets with donor restrictions and total net assets with donor restrictions	<u>10,729</u>
Increase in total net assets	248,723
Net assets at beginning of year	<u>430,233</u>
Net assets at end of year	<u><u>\$ 678,956</u></u>

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

See Independent Accountants' Review Report

	Program Activities			Supporting Activities		Supporting Subtotal	Total Expenses
	Program Expenses (Austin)	Program Expenses (National)	Program Subtotal	Fundraising Expenses	Management and General Expenses		
Advertising & Promotion	\$ 5,701	\$ 6,744	\$ 12,445	\$ 676	\$ 2,943	\$ 3,619	\$ 16,064
Bank Charges	2,974	-	2,974	-	744	744	3,718
Contract Labor	15,396	4,499	19,895	-	4,330	4,330	24,225
Dare to Dream	57,410	-	57,410	-	-	-	57,410
Depreciation	27	-	27	-	27	27	54
Dues & Subscriptions	1,164	2,287	3,451	-	760	760	4,211
Education & Training	5,481	8,791	14,272	182	2,469	2,651	16,923
Insurance	2,212	622	2,834	238	324	562	3,396
Love Boxes	363,361	-	363,361	-	-	-	363,361
Meals	516	58	574	-	122	122	696
Office Expenses	10,855	6,421	17,276	-	4,079	4,079	21,355
Payroll & Payroll Taxes	334,355	198,235	532,590	13,622	48,755	62,377	594,967
Professional Fees	7,988	61,145	69,133	-	16,678	16,678	85,811
Rent	33,684	-	33,684	-	8,421	8,421	42,105
Special Events	13,233	21,415	34,648	8,709	996	9,705	44,353
Telephone	916	604	1,520	-	380	380	1,900
Utilities	888	-	888	-	222	222	1,110
Website	720	386	1,106	-	276	276	1,382
	<u>\$ 856,881</u>	<u>\$ 311,207</u>	<u>\$ 1,168,088</u>	<u>\$ 23,427</u>	<u>\$ 91,526</u>	<u>\$ 114,953</u>	<u>\$ 1,283,041</u>

TRANSFORMATIONS BY AUSTIN ANGELS
(A Non-Profit Organization)

STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
for the year ended December 31, 2020

See Independent Accountants' Review Report

	<u>2020</u>
Increase in net assets	<u>\$ 248,723</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	53
(Increase) decrease in:	
Credit card overpayments	(14)
Increase (decrease) in:	
Credit card liability	(200)
Overpayments due to chapters	<u>(14,197)</u>
Total adjustments	<u>(14,358)</u>
Net cash provided (used) by operating activities	<u>234,365</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(3,199)</u>
Net cash provided (used) by investing activities	<u>(3,199)</u>
Cash flows from financing activities	
Proceeds from PPP loan	<u>165,000</u>
Net cash provided (used) by financing activities	<u>165,000</u>
Net increase (decrease) in cash and cash equivalents	396,166
Cash and cash equivalents, beginning of year	<u>442,480</u>
Cash and cash equivalents, end of year	<u><u>\$ 838,646</u></u>

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

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Transformations by Austin Angels (Austin Angels) was founded in 2010 to walk alongside children, youth, and families in the foster care community by offering consistent support through intentional giving, relationship building, and mentorship. The organization accomplishes this through their Love Box and Dare to Dream programs, which match families and youth in the foster care community with volunteer groups and mentors who commit to giving their time, talents, and/or resources to support the family or youth they serve. 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, 2020 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 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.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

Net Assets With Donor Restrictions

Net assets are 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 Revenues, Expenses and Changes in Net Assets - Modified Cash Basis. 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 - Modified Cash Basis 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 include food items, gift cards and certificates, clothing, school and office supplies, household goods, discounts on items otherwise purchased, and other miscellaneous goods.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

The estimated value of these contributions has been included in revenue and expenses on the financial statements. Noncash contributions recognized in 2020 totaled \$312,164, which was utilized by program or activities as follows:

Love Boxes	\$ 255,177
Dare to Dream	44,865
Other programs	9,698
Total Programs	<u>309,740</u>
Management and General	2,367
Fundraising	57
Total Expense	<u><u>\$ 312,164</u></u>

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	2,880 hours
Dare to Dream	2,037
General Volunteers	2,728
Board of Directors	190
Total Hours	<u><u>7,835 hours</u></u>

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 2020 totaled \$17,513, which was utilized by programs or activities as follows:

Love Boxes	\$ 2,305
Dare to Dream	208
Other programs	12,000
Total Programs	<u>14,513</u>
Management and General	3,000
Fundraising	-
Total Expense	<u><u>\$ 17,513</u></u>

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

Depreciation

Depreciable assets are recorded at historical cost including the cost of significant improvements. Depreciable assets of the Organization include office equipment. Depreciation is calculated on the straight-line basis over the expected useful life of each asset, currently 5 years for all assets.

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. Through 2019, the Organization filed a consolidated tax return with its affiliated chapters. In 2020, the Organization filed for a group exemption that allows the individual chapters to file separate tax returns. See Note 6. The 2020 tax return will include activity of affiliated chapters for the portion of the year before the group exemption. Tax returns for 2021 onward will only report the Organization's activity.

Management is not aware of any tax provisions that would have a significant impact on the Organization's 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 Changes in Net Assets - Modified Cash Basis. 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:

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
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 2020, each chapter was required to provide start-up costs of \$25,000 and annual chapter support of \$4,400. The amount received from related parties in 2020 was \$473,344.

In 2020, the Organization applied for a group exemption for the affiliated chapters, and assisted the chapters in setting up as independent non-profits in their respective states, the dates for which varied between chapters due to the relative complexity involved. The individual chapters paid the Organization \$2,400 each for their share of costs relating to the restructuring. The group exemption application was approved on April 15, 2021. See Note 6. Until the process was completed, some chapters were unable to update their bank account information for online donations through third-party outlets. As a result, some electronic donations were initially deposited to the Organization's bank account, at which point the Organization transferred the funds to the respective chapter. Funds allocable to other chapters did not remain in the Organization's possession for any significant period of time.

The Organization began paying premiums on life insurance policies for its top three officers in October 2020. The Organization is a 50% beneficiary on each policy. Total premiums paid on the policies in 2020 was \$243. In 2021, a fourth policy was obtained for a new officer. See Note 6.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

Advertising Costs

The Organization uses non-direct response advertising; all advertising costs are expensed as disbursed and totaled \$16,064 for the year ended December 31, 2020.

Policy for Paid Time Off

The Organization's policy for paid time off does not allow for unused time to roll over from one year to the next, except in unusual circumstances.

Measure of Operations

The Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis 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. Non-operating 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 non-operating activities for the year ended December 31, 2020.

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 2020, 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.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

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 2022. Monthly payments were \$2,200, but increased to \$2,600 in February 2020 and again to \$2,800 in August 2020. Rent expense for the year ended December 31, 2020 was \$31,800, with an estimated value of \$42,105.

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

2021	\$	35,800
2022		3,000
2023		-
2024		-
2025		-
Thereafter		-
Total	\$	<u>38,800</u>

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

4. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2020
Financial assets at year-end	\$ 838,646
Restricted by donor with time or purpose restriction	(20,588)
Less those unavailable for general expenditures within one year.	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 818,058</u></u>

As part of the Organization's liquidity management, cash is held in a checking account that earns annual interest at 0.01% and a money market account earning annual interest at 0.25%. The Organization also has funds in non-interest bearing accounts.

5. Revenue from Grants

The Organization recognized revenue from grants without restrictions in the amount of \$23,000 in 2020. The Organization recognized revenue from grants with restrictions in the amount of \$55,475. In 2020, the Organization satisfied restrictions on \$44,746 of restricted grants. At December 31, 2020, donor restricted grants were \$20,588 which were restricted by specific purpose.

6. Subsequent Event

In January 2021, the Organization received full forgiveness of its Paycheck Protection Program loan. As a result, these financial statements do not disclose estimated principal payments over the next five years. The loan forgiveness will be included in revenue in 2021.

In January 2021, the Organization acquired a life insurance policy for a new officer.

TRANSFORMATIONS BY AUSTIN ANGELS
NOTES TO FINANCIAL STATEMENTS

Modified Cash Basis

In 2020, the Organization applied for a group exemption with regard to its affiliated chapters. The group exemption application was approved April 15, 2021. The group exemption will be retroactive to the date originally filed, and each chapter is independently responsible for filing its annual Form 990 for the portion of the year subsequent to separation from the Organization.

Subsequent events were evaluated through the date these financial statements became available which was April 23, 2021.