

MOMENTUM ADVISORY COLLECTIVE

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020

Momentum Advisory Collective
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December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Momentum Advisory Collective

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Momentum Advisory Collective, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Momentum Advisory Collective as of December 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Momentum Advisory Collective and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Momentum Advisory Collective's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Momentum Advisory Collective's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Momentum Advisory Collective's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Salmon Sims Thomas & Associates
A Professional Limited Liability Company

October 19, 2021

**Momentum Advisory Collective
Statement of Financial Position
December 31, 2020**

ASSETS

Cash	\$ 592,759
	<hr/>
TOTAL ASSETS	\$ 592,759
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 4,069
Accounts payable - related party	7,106
Payroll liabilities	13,560
Total Liabilities	<hr/> 24,735 <hr/>

Net Assets

Without donor restrictions	518,024
With donor restrictions	50,000
Total Net Assets	<hr/> 568,024 <hr/>

TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 592,759 <hr/> <hr/>
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The accompanying notes are an integral part of this financial statement.

Momentum Advisory Collective
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 1,144,016	\$ 50,000	\$ 1,194,016
In-kind contributions	33,396	-	33,396
	<u>1,177,412</u>	<u>50,000</u>	<u>1,227,412</u>
Net assets released from restriction	-	-	-
Total Revenues and Support	<u>1,177,412</u>	<u>50,000</u>	<u>1,227,412</u>
 Expenses			
Program services	515,695	-	515,695
Supporting services	143,693	-	143,693
Total Expenses	<u>659,388</u>	<u>-</u>	<u>659,388</u>
 Change in Net Assets	518,024	50,000	568,024
 Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
 Net Assets, end of year	<u><u>\$ 518,024</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 568,024</u></u>

The accompanying notes are an integral part of this financial statement.

Momentum Advisory Collective
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services		Supporting Services		
	Restaurant Opening	Ambassadors	Management & General	Fundraising	Total
Salaries and benefits	\$ 419,890	\$ 26,174	\$ 55,300	\$ 70,919	\$ 572,283
Meals and entertainment	-	940	119	-	1,059
Travel	22	-	-	-	22
Rent	59,722	-	-	-	59,722
Marketing	2,629	580	2,693	1,122	7,024
Professional fees	-	-	7,028	-	7,028
Dues and subscriptions	879	133	826	826	2,664
Supplies	2,441	163	325	325	3,254
Printing	247	82	82	412	823
Automobile	48	-	906	-	954
Insurance	848	57	1,815	113	2,833
Other	271	569	515	367	1,722
	<u>\$ 486,997</u>	<u>\$ 28,698</u>	<u>\$ 69,609</u>	<u>\$ 74,084</u>	<u>\$ 659,388</u>

The accompanying notes are an integral part of this financial statement.

Momentum Advisory Collective
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows From Operating Activities

Change in Net Assets \$ 568,024

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Increase in liabilities:

Accounts payable 4,069

Accounts payable - related party 7,106

Payroll and related liabilities 13,560

Net Cash Provided by Operating Activities 592,759

Net Increase in Cash 592,759

Cash, beginning of year -

Cash, end of year \$ 592,759

The accompanying notes are an integral part of this financial statement.

Momentum Advisory Collective
Notes to Financial Statements
December 31, 2020

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of Momentum Advisory Collective (Organization or MAC) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Organization is a Texas non-profit corporation that was established and incorporated in June 2019, receiving its 501(c)(3) determination letter in March 2020. The Organization originated from and is a related party to Café Momentum (CM), a non-profit organization that is dedicated to equipping juvenile offenders with life skills, education, and employment opportunities to help them achieve their full potential. CM provides these opportunities through internship programs at its restaurant location in Dallas, Texas. MAC is working to build more programs like this in other locations across the country by partnering with members of those communities. The Organization is primarily funded by individual, corporate, and foundation contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Cash equivalents were \$- as of December 31, 2020. The Organization places its cash and cash equivalents, which, at times, may exceed federally insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such amounts.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Net assets that are without donor restrictions but have been designated for a particular purpose by the Board, if any, are reflected as Board Designated Net Assets.

Momentum Advisory Collective
Notes to Financial Statements
December 31, 2020

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Income Taxes

The Organization is exempt from federal income taxes under section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC section 511.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities and changes in net assets or accrued in the statement of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording the functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Concentration of Risk

Approximately 92% of total support and revenue for the year ended December 31, 2020 was received from one donor, Stand Together Foundation.

Momentum Advisory Collective
Notes to Financial Statements
December 31, 2020

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on time and effort spent in each area. The expenses that are allocated include salaries and benefits, supplies, and marketing, along with other program expenses. All other natural expense categories using the key concept of direct conduct or direct supervision are 100% charged to the benefiting program or support service.

Recent Accounting Pronouncements

In February 2016, the FASB issued *Accounting Standards Update* (ASU) 2016-02, *Leases*, which will supersede the current lease requirements in ASC Topic 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position.

The new standard is effective for private entities, including nonprofit organizations, for annual periods beginning after December 15, 2021. The Organization is in the process of evaluating the potential impact of ASU 2016-02 on its financial statements. The Organization will be adopting this update in 2022.

Date of Management's Review

The Organization has evaluated subsequent events through October 19, 2021, the date the financial statements were available to be issued.

NOTE 2: CONTRIBUTED GOODS AND SERVICES

For the year ended December 31, 2020, the Organization received and recognized contributed (i.e. "in-kind") goods and services as follows:

Marketing/branding	\$	600
Rent		32,796
	\$	<u>33,396</u>

Momentum Advisory Collective
Notes to Financial Statements
December 31, 2020

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020, net assets with donor restrictions consisted of the following amounts:

Pittsburgh location	\$	50,000
	<u>\$</u>	<u>50,000</u>

There were no net assets released from donor restrictions during 2020.

NOTE 4: LEASE COMMITMENTS

Operating Leases

The Organization entered into a lease agreement that began in January 2020 and was set to continue through May 2024, requiring monthly payments of approximately \$11,000, which included a share of annual common area maintenance costs. The lease was for a new Houston location, where the Organization was working to open a new location until the COVID-19 pandemic halted those operations. In May 2020, the lease was terminated and all obligations under the lease were paid in 2020.

Total rent expense was \$59,722 for the year ended December 31, 2020. There are no future minimum rental payments required under the operating lease.

NOTE 5: LIQUIDITY AND AVAILABILITY

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

Momentum Advisory Collective
Notes to Financial Statements
December 31, 2020

NOTE 5: LIQUIDITY AND AVAILABILITY (CONTINUED)

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

Financial assets at year end	\$ 592,759
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(50,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 542,759</u>

NOTE 6: RELATED PARTY TRANSACTIONS

The Organization has a shared services agreement dated March 1, 2020 with CM, whereby MAC reimburses CM for shared personnel costs, office space, equipment, software, and other third-party services. Amounts paid by the Organization to CM for the year ended December 31, 2020 totaled \$75,346. The Organization has accounts payable of \$7,106 due to CM as of December 31, 2020.

CM transferred \$60,295 in grant funds from Stand Together to MAC during the year ended December 31, 2020. CM also paid for the first three months' rent on the Houston location lease for MAC and was not reimbursed for these payments. The Organization recorded \$32,796 as in-kind rent for these payments.

NOTE 7: RETIREMENT PLAN

The Organization has a voluntary 403(b) retirement plan available to employees after completion of an eligibility period. Eligible employees may elect to have a portion of their salary deposited into a 403(b) account. The Organization has elected not to provide matching contributions to participating employees.