

MONTGOMERY STEP FOUNDATION, INC
MONTGOMERY, ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Diamond, Carmichael & Gary, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Montgomery STEP Foundation
Montgomery, Alabama

We have audited the accompanying financial statements of the Montgomery STEP Foundation which comprise the statement of financial position as of September 30, 2021, and 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 from 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 Montgomery STEP Foundation as of September 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Montgomery STEP Foundation's 2020 financial statements, and our report dated June 17, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Diamond, Carmichael & Gary, P.A.
Certified Public Accountants
Montgomery, Alabama
June 6, 2022

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,509.99	\$ 47,520.89
Grants receivable	17,739.01	15,614.15
Prepaid expenses	1,713.28	1,655.68
<i>Total Current Assets</i>	\$ 75,962.28	\$ 64,790.72
PROPERTY AND EQUIPMENT		
Furniture and equipment	\$ 22,862.71	\$ 17,677.90
Less: accumulated depreciation	(16,893.99)	(17,319.18)
<i>Net Property and Equipment</i>	\$ 5,968.72	\$ 358.72
<hr/>		
TOTAL ASSETS	\$ 81,931.00	\$ 65,149.44

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$ 5,322.40	\$ 3,558.13
<i>Total Current Liabilities</i>	\$ 5,322.40	\$ 3,558.13

NET ASSETS

Without donor restrictions	\$ 76,608.60	\$ 61,591.31
<i>Total Net Assets</i>	\$ 76,608.60	\$ 61,591.31

TOTAL LIABILITIES AND NET ASSETS	\$ 81,931.00	\$ 65,149.44
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The accompanying notes are an integral part of these financial statements

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	2021 TOTAL	2020 TOTAL
<i>REVENUES, GAINS, AND OTHER SUPPORT</i>				
Grants	\$ 112,123.86	\$ 0.00	\$ 112,123.86	\$ 108,502.36
Contributions	57,826.49	0.00	57,826.49	72,421.09
Endowment	3,880.39	0.00	3,880.39	3,848.47
Interest income	30.49	0.00	30.49	31.72
PPP loan forgiveness	29,876.20	0.00	29,876.20	29,876.20
EIDL nontaxable income	0.00	0.00	0.00	4,000.00
Net assets released from restriction	0.00	0.00	0.00	0.00
<i>Total Revenues</i>	<u>\$ 203,737.43</u>	<u>\$ 0.00</u>	<u>\$ 203,737.43</u>	<u>\$ 218,679.84</u>
<i>EXPENSES</i>				
Program Service				
Community services	\$ 156,396.54	\$ 0.00	\$ 156,396.54	\$ 156,781.67
<i>Total Program Services</i>	<u>\$ 156,396.54</u>	<u>\$ 0.00</u>	<u>\$ 156,396.54</u>	<u>\$ 156,781.67</u>
Supporting Services:				
Management and general	\$ 32,323.60	\$ 0.00	\$ 32,323.60	\$ 29,628.29
<i>Total Expenses</i>	<u>\$ 32,323.60</u>	<u>\$ 0.00</u>	<u>\$ 32,323.60</u>	<u>\$ 29,628.29</u>
<i>TOTAL EXPENSES</i>	<u>\$ 188,720.14</u>	<u>\$ 0.00</u>	<u>\$ 188,720.14</u>	<u>\$ 186,409.96</u>
<i>CHANGES IN NET ASSETS</i>	\$ 15,017.29	\$ 0.00	\$ 15,017.29	\$ 32,269.88
<i>NET ASSETS AT BEGINNING OF YEAR</i>	61,591.31	0.00	61,591.31	29,321.43
<i>NET ASSETS AT END OF YEAR</i>	<u>\$ 76,608.60</u>	<u>\$ 0.00</u>	<u>\$ 76,608.60</u>	<u>\$ 61,591.31</u>

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

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

<i>FUNCTIONAL EXPENSES</i>	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>2021 TOTAL</u>	<u>2020 TOTAL</u>
	<u>COMMUNITY SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>		
Salaries	\$ 135,350.03	\$ 15,038.89	\$ 0.00	\$ 150,388.92	\$ 152,209.04
Payroll taxes	10,354.27	1,150.47	0.00	11,504.74	11,643.99
Employee benefits	<u>240.00</u>	<u>240.00</u>	<u>0.00</u>	<u>480.00</u>	<u>440.00</u>
<i>Total Salaries and Related Expenses</i>	<u>\$ 145,944.30</u>	<u>\$ 16,429.36</u>	<u>\$ 0.00</u>	<u>\$ 162,373.66</u>	<u>\$ 164,293.03</u>
Accounting	2,287.50	762.50	0.00	3,050.00	2,950.00
Insurance	0.00	5,450.22	0.00	5,450.22	5,426.39
Telephone	275.62	336.86	0.00	612.48	993.12
Postage	356.21	1,424.84	0.00	1,781.05	1,068.40
Printing and promotion	399.46	741.85	0.00	1,141.31	177.69
Rent/facilities expense	2,792.50	1,196.79	0.00	3,989.29	4,196.73
Office and operating supplies	2,021.56	1,347.70	0.00	3,369.26	2,279.64
Support services	0.00	500.00	0.00	500.00	500.00
Conferences and meetings	0.00	0.00	0.00	0.00	76.50
Travel	93.39	373.54	0.00	466.93	338.01
Dues/subscriptions	0.00	2,229.69	0.00	2,229.69	1,547.89
Interest/finance charges	0.00	168.00	0.00	168.00	77.00
Penalty and interest	0.00	720.00	0.00	720.00	0.00
Program evaluation	500.00	0.00	0.00	500.00	500.00
Program expense	915.46	0.00	0.00	915.46	1,208.73
Program meals	484.98	0.00	0.00	484.98	235.57
Computer expense and support	<u>0.00</u>	<u>502.72</u>	<u>0.00</u>	<u>502.72</u>	<u>442.40</u>
<i>Total Expenses Before Depreciation</i>	<u>\$ 156,070.98</u>	<u>\$ 32,184.07</u>	<u>\$ 0.00</u>	<u>\$ 188,255.05</u>	<u>\$ 186,311.10</u>
Depreciation	325.56	139.53	0.00	465.09	98.86
<i>TOTAL FUNCTIONAL EXPENSES</i>	\$ 156,396.54	\$ 32,323.60	\$ 0.00	\$ 188,720.14	\$ 186,409.96

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

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(with summarized comparative financial information for the year ended September 30, 2020)

	<u>2021</u>	<u>2020</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Changes in net assets	\$ 15,017.29	\$ 32,269.88
Adjustment to reconcile decrease in net assets to net cash provided by operating activities:		
Decrease (increase) in grants receivable	(2,124.86)	(9,048.95)
Depreciation	465.09	98.86
Decrease (increase) in prepaids	(57.60)	127.15
Increase (decrease) in accounts payable	1,764.27	(2,305.74)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 15,064.19</u>	<u>\$ 21,141.20</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Decrease (increase) in grants receivable	(6,075.09)	0.00
<i>Net Cash Used by Investing Activities</i>	<u>\$ (6,075.09)</u>	<u>\$ 0.00</u>
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	\$ 8,989.10	\$ 21,141.20
<i>BEGINNING CASH AND CASH EQUIVALENTS</i>	47,520.89	26,379.69
<i>ENDING CASH AND CASH EQUIVALENTS</i>	\$ 56,509.99	\$ 47,520.89

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

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Montgomery STEP Foundation, Inc. is a non-profit organization. The Foundation's purpose is to present the Gospel in at-risk communities by mobilizing churches, volunteers, and other helping agencies who are elevating people to a better life.

Basis of Presentation

The Financial statements of the STEP Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires the STEP Foundation to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with The STEP Foundation's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Property and equipment are depreciated over the estimated useful life of the assets using the straight-line method.

Contributions (Including Grants)

Support is reported as an increase in net assets without donor restrictions if the support is unrestricted by the donor or the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, the Foundation recognizes revenue and records a receivable for the reimbursement amount from the granting agency.

Cash and Cash Equivalents

For purposes of the statement of cash flows, The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Montgomery STEP Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of Alabama law and is classified by the Internal Revenue Service as an organization other than a private foundation.

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated Absences

Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated, but are expensed as incurred and are not considered material.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions as of September 30, 2021.

NOTE 3 - ENDOWMENT FUND

For the year ended September 30, 2021, the STEP Foundation did not contribute any funds toward the endowment fund with Central Alabama Community Foundation, Inc. An amount up to 5% of the value of the endowment fund, less 1% fees to CACF, may be distributed each fiscal year to the Montgomery STEP Foundation. The fund is the property of CACF who has ultimate authority and control of all property in the fund, and the income derived therefrom, for the charitable purposes of the CACF. In the year ended September 30, 2021 the STEP Foundation received \$3,880.39 from the endowment fund.

NOTE 4 - GRANTS RECEIVABLE

The Foundation's grant receivable balance consists of grants receivable from the City of Montgomery as part of the Community Development Block Grant (CDBG). The CDBG is a cost-reimbursement grant from the City of Montgomery. The reimbursement amounts for August and September 2021 which were accrued at September 30, 2021 are as follows:

August	\$	9,725.17
September		8,013.84
Total Receivable	\$	<u>17,739.01</u>

NOTE 5 - PAYCHECK PROTECTION PROGRAM (PPP) PROCEEDS

The Foundation receive PPP loan proceeds in the amount of \$29,876.20 on February 22, 2021. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower meets requirements in the CARES Act, including using the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. All conditions were met during the year and the loan was forgiven and is reflected on the accompanying Statement of Activities as "PPP loan forgiveness".

MONTGOMERY STEP FOUNDATION
MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 - OFFICE LEASE

STEP entered into a new office lease agreement on February 17, 2020. The terms of the lease were for two years with a monthly rent amount of \$325 with automatic renewal under the same terms unless canceled. The lease also includes additional fees for any copier use over 500 copies at \$.5 per page. Total rent for the year ended September 30, 2021, was \$3,989.29.

Future minimum lease payments are as follows:

10/1/2021-9/30/2022	\$	3,900.00
10/1/2022-9/03/2023		3,900.00
	\$	<u>7,800.00</u>

NOTE 5 - SUBSEQUENT EVENTS

In reference to these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through June 6, 2022, which approximates the date the financial statements were available to be issued.

NOTE 6 - NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The STEP Foundation adopted this standard as of October 1, 2020. The adoption of this standard did not have a significant impact on the financial statements.