

Leadingham Rodgers, LLC

CERTIFIED PUBLIC ACCOUNTANTS

7001 Brockport Court
MONTGOMERY, ALABAMA 36117

PHONE (334) 270-3366
FACSIMILE (334) 260-0606

MEMBER AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER ALABAMA SOCIETY
OF
CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 241547
MONTGOMERY, ALABAMA 36124-1547
ARTHUR M. LEADINGHAM, JR., C.P.A.
KEVIN T. RODGERS, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aid To Inmate Mothers, Inc.
Montgomery, Alabama

We have audited the accompanying financial statements of the Aid To Inmate Mothers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities 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.

Auditors' 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 Aid To Inmate Mothers, Inc. as of December 31, 2018 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.

Emphasis of Matters

As discussed in note 1 to the accompanying financial statements, in 2018, the Center adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Leadnigham Re-Gew, LLC

Montgomery, Alabama

October 30, 2019

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA
DECEMBER 31, 2018

INDEX

INDEPENDENT AUDITORS' REPORT

STATEMENT OF FINANCIAL POSITION

Exhibit A

STATEMENT OF ACTIVITIES

Exhibit B

STATEMENT OF CASH FLOWS

Exhibit C

STATEMENT OF FUNCTIONAL EXPENSES

Exhibit D

NOTES TO FINANCIAL STATEMENTS

Exhibit E

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

| | Without Donor Restrictions - <u>Undesignated</u> | Without Donor Restrictions - Board Designated | With Donor Restrictions | <u>Total</u> |
|---|---|--|----------------------------|-------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 46,767 | \$ -0- | \$ -0- | \$ 46,767 |
| Deposits | 1,034 | -0- | -0- | 1,034 |
| Prepaid rent | 3,857 | -0- | -0- | 3,857 |
| Pledges and grants receivable | <u>38,796</u> | <u>-0-</u> | <u>-0-</u> | <u>38,796</u> |
| Total Current Assets | <u>\$ 90,454</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 90,454</u> |
| PROPERTY AND EQUIPMENT | | | | |
| Property and equipment | \$ 191,834 | \$ -0- | \$ -0- | \$ 191,834 |
| LESS: Accumulated depreciation | <u>(90,493)</u> | <u>-0-</u> | <u>-0-</u> | <u>(90,493)</u> |
| Total Property and Equipment | <u>\$ 101,341</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 101,341</u> |
| TOTAL ASSETS | <u>\$ 191,795</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 191,795</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 3,189 | \$ -0- | \$ -0- | \$ 3,189 |
| Accrued expenses | 5,776 | -0- | -0- | 5,776 |
| Payroll liabilities | <u>2,487</u> | <u>-0-</u> | <u>-0-</u> | <u>2,487</u> |
| Total Current Liabilities | <u>\$ 11,452</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 11,452</u> |
| TOTAL LIABILITIES | <u>\$ 11,452</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 11,452</u> |
| NET ASSETS | | | | |
| Without Donor Restrictions | \$ 180,343 | \$ -0- | \$ -0- | \$ 180,343 |
| With Donor Restrictions | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL NET ASSETS | <u>\$ 180,343</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 180,343</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 191,795</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 191,795</u> |

See independent auditors' report.
See notes to financial statements.

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Without Donor Restrictions - <u>Undesignated</u> | Without Donor Restrictions - Board <u>Designated</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---|---|---|-----------------------------------|---------------------------------|
| REVENUE AND SUPPORT | | | | |
| State, City and foundation support | \$ 59,512 | \$ -0- | \$ 96,641 | \$ 156,153 |
| United Way | 48,884 | -0- | -0- | 48,884 |
| Individuals, churches and organizations | 32,627 | -0- | 40,000 | 72,627 |
| Rent | 24,924 | -0- | -0- | 24,924 |
| Interest | 10 | -0- | -0- | 10 |
| Other income | 1,779 | -0- | -0- | 1,779 |
| Fundraising | <u>2,401</u> | <u>-0-</u> | <u>-0-</u> | <u>2,401</u> |
| Total revenue and support | <u>\$ 170,137</u> | <u>\$ -0-</u> | <u>\$ 136,641</u> | <u>\$ 306,778</u> |
| EXPENDITURES | | | | |
| PROGRAM SERVICES | <u>\$ 66,619</u> | <u>\$ -0-</u> | <u>\$ 136,641</u> | <u>\$ 203,260</u> |
| SUPPORTING SERVICES | | | | |
| General and administrative | \$ 65,122 | \$ -0- | \$ -0- | \$ 65,122 |
| Fundraising | <u>6,438</u> | <u>-0-</u> | <u>-0-</u> | <u>6,438</u> |
| Total supporting services | <u>\$ 71,560</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 71,560</u> |
| TOTAL EXPENDITURES | <u>\$ 138,179</u> | <u>\$ -0-</u> | <u>\$ 136,641</u> | <u>\$ 274,820</u> |
| CHANGE IN NET ASSETS | \$ 31,958 | \$ -0- | \$ -0- | \$ 31,958 |
| NET ASSETS, BEGINNING OF YEAR | <u>148,385</u> | <u>-0-</u> | <u>-0-</u> | <u>148,385</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 180,343</u></u> | <u><u>\$ -0-</u></u> | <u><u>\$ -0-</u></u> | <u><u>\$ 180,343</u></u> |

See independent auditors' report.
See notes to financial statements.

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | |
|---|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Increase in net assets | \$ 31,958 |
| Noncash donated property | 600 |
| Adjustment to reconcile change in net assets to net cash used by operating activities: | |
| Depreciation | 9,113 |
| Change in operating assets and liabilities: | |
| Increase in pledges and grants receivable | (1,951) |
| Increase in accounts payable | 1,983 |
| Increase in accrued expenses | 5,233 |
| Increase in prepaid rent | <u>(3,857)</u> |
| Net cash provided by operating activities | <u>\$ 43,079</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of fixed assets | \$ <u>(5,658)</u> |
| Net cash used by investing activities | <u>\$ (5,658)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 37,421 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>9,346</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 46,767</u></u> |
| SUPPLEMENTAL CASH FLOWS DISCLOSURES: | |
| Cash paid during the year for: | |
| Interest | \$ 222 |

See independent auditors' report.
See notes to financial statements.

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>PROGRAM</u> | <u>SUPPORTING</u> | <u>FUNDRAISING</u> | <u>TOTAL</u> |
|------------------------------|--------------------------|-------------------------|------------------------|--------------------------|
| Salaries | \$ 111,493 | \$ 18,138 | \$ 2,695 | \$ 132,326 |
| Payroll taxes | 8,322 | 1,148 | 96 | 9,566 |
| Direct program expenses | 71,434 | 6,740 | 61 | 78,236 |
| Professional fees | 774 | 6,577 | 387 | 7,738 |
| Meals and entertainment | 526 | 4,469 | 263 | 5,258 |
| Legal and accounting | 657 | 5,586 | 329 | 6,571 |
| Fundraising expenses | -0- | -0- | 1,276 | 1,276 |
| Copier lease and maintenance | 258 | 2,191 | 129 | 2,578 |
| Office expenses | 157 | 1,338 | 79 | 1,574 |
| Insurance | -0- | 7,145 | -0- | 7,145 |
| Postage and shipping | 436 | 3,708 | 218 | 4,362 |
| Operating supplies | 159 | 1,350 | 79 | 1,588 |
| Vehicle expenses | 418 | 3,553 | 209 | 4,180 |
| Depreciation | 8,558 | 3,056 | 611 | 12,225 |
| Interest expense | 65 | 102 | 5 | 172 |
| Professional memberships | 3 | 21 | 1 | 25 |
| TOTAL | <u><u>\$ 203,260</u></u> | <u><u>\$ 65,122</u></u> | <u><u>\$ 6,438</u></u> | <u><u>\$ 274,820</u></u> |

See independent auditors' report.
See notes to financial statements.

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA
DECEMBER 31, 2018

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Aid to Inmate Mothers, Incorporated (AIM) is a private, nonprofit organization founded in 1990. The Corporation's purpose is to provide vital support services for Alabama incarcerated mothers and their children, to work with these incarcerated mothers to provide emotional support, conduct GED classes, parenting, job skills, social abuse and drug abuse classes aimed at providing the women the opportunity to reenter society and have a successful relationship with their families, and to improve the relationship between the incarcerated mothers and their children.

Basis of Presentation

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method of accounting, AIM recognizes revenues and expenditures in the accounting period in which they are earned and incurred, rather than when they are received and paid.

AIM reports information regarding its financial position in compliance with GAAP, and as such, has adopted ASU No. 2016-14 regarding the reclassification of net assets: net assets without donor restrictions and net assets with donor restrictions. Please reference the net asset classification section – continued in Note 1 regarding further disclosures.

Cash and Cash Equivalents

For purposes of the statement of cash flows, AIM considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

AIM capitalizes property and equipment at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, AIM reports expirations of donor restrictions when the donated or acquired assets are placed in service. AIM reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years. The major categories of property and equipment net of accumulated depreciation are:

| | Cost |
|--------------------------------|--------------------------|
| Building | \$ 120,460 |
| Leasehold improvements | 12,674 |
| Land | 5,000 |
| Automobile | 9,979 |
| Equipment | 43,020 |
| Software | 701 |
| LESS: accumulated depreciation | (90,493) |
| NET BOOK VALUE | <u>\$ 101,341</u> |

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized.

(continued on next page)

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA
DECEMBER 31, 2018

Exhibit E

Page 2

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

AIM is a not-for-profit corporation formed pursuant to the not-for-profit provisions of the State of Alabama and is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. AIM's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2016, 2017 and 2018 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

AIM adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. AIM has analyzed tax positions taken for filing with the Internal Revenue Service. AIM believed that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on AIM's financial condition, results of operations or cash flows. Accordingly, AIM has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018. AIM is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. AIM believes it is no longer subject to income tax examinations for years prior to 2016.

Accounting for Contributions

AIM accounts for contributions received and contributions made based on the determination of the restrictions placed on contributions and unconditional promises to give, as well as recognition of a contribution at estimated fair value in the period the promise to give is made.

AIM accounts for contributions received on behalf of other organizations as agency transactions in accordance with FASB ASC 958-605-25-23, *Transfers of Assets to a Non-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*.

Donated Goods and Services

Donated goods are reflected as contributions at their estimated fair market value at the date of donation. AIM recognizes contribution revenue for certain services received at the fair value of those services. Such revenues are recognized by AIM when the services received either create or enhance nonfinancial assets, or the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

Date of Management's Review

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

In preparing the financial statements, Management evaluated subsequent events through October 30, 2019, the date the financial statements were available to be issued.

(continued on next page)

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA
DECEMBER 31, 2018

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification

In prior years, the Organization presented the statement of financial position using three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, following GAAP FASB No. 117. The Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* effective at the 2018 fiscal year. GAAP mandated this guidance in order to improve the net asset classification requirements, the information presented in the financial statements, and the notes regarding not-for-profit entity's liquidity, financial performance, and cash flows. Implementing this net asset re-classification, the Organization reports information regarding its financial position and results of operations according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

| Net Assets Classifications | ASU 2016-14 Classifications | | |
|---|-----------------------------|-------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total Net Assets |
| As previously presented: | | | |
| Unrestricted | \$ 148,385 | \$ -0- | \$ 148,385 |
| Temporarily restricted | -0- | -0- | -0- |
| Permanently restricted | -0- | -0- | -0- |
| Net assets as previously presented | \$ 148,385 | \$ -0- | \$ 148,385 |

Reference Note 5 and Note 6 for further disclosures of the two net asset classes and the types of transactions affecting each class.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

AIM maintains cash balances at one financial institution. The cash balance at the financial institution is insured by the Federal Deposit Insurance Corporation up to \$ 250,000 on interest-bearing accounts. At December 31, 2018, AIM had no uninsured balances.

NOTE 3 - COMPENSATED ABSENCES

AIM's policy on compensated absences is to recognize the costs when actually paid to employees. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements.

NOTE 4 - NOTES PAYABLE

AIM also has a line of credit with BBVA USA Bank with a limit of \$ 30,000. The interest rate is 7.85%. The balance outstanding at December 31, 2018 was \$ -0-.

AID TO INMATE MOTHERS, INC.
MONTGOMERY, ALABAMA
DECEMBER 31, 2018

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

- (a) **Net Assets Without Donor Restrictions** – Contributions and other assets that are not subject to donor-imposed restrictions. Items that affect this net asset class principally consist of fees for service and related expenses associated with core activities of the Organization such as: donations, instruction, outreach, re-entry and aftercare programs, memberships, dues, licensing/continuing education fees, program registration, and conference/event revenue. The Organization had \$ 180,343 in net assets without donor restrictions for the year ended December 31, 2018.
- (b) **Board Designated Net Assets Without Donor Restrictions** - In addition, this net asset category includes investment funds and returns on investments for long-term purpose, any funds functioning as endowment funds, and philanthropic donations without donor restrictions, that is designated by the Board of Directors (the Board). There were no net assets without donor restrictions that were designated by the Board as of December 31, 2018.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

- (a) **Net Assets With Donor Restrictions** - Support that is stipulated by the donor to be used for a specific purpose, period of time, or that creates a permanent source of donor designated revenue. Items that affect this net asset class are gifts for which donor-imposed restrictions are to be maintained permanently or have not been met in the year of receipt; including: gifts and grants for buildings/equipment not yet placed in service, term endowments, annuity and life income gifts, donor restricted pledges, and any donor support to be maintained permanently by the Organization. AIM collected and remitted \$ 136,641 in support and expenses with donor restrictions for the year ended December 31, 2018.