

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

AID TO INMATE MOTHERS, INC.

DECEMBER 31, 2013

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Independent Auditor's Report

Executive Board
Aid to Inmate Mothers, Inc.

I have audited the accompanying statement of financial position of Aid to Inmate Mothers, Inc. as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Prattville, Alabama
November 10, 2014

Aid to Inmate Mothers, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

	GENERAL OPERATING FUND
CURRENT ASSETS	
Cash	\$ 25,369
Marketable securities	816
Prepaid expenses	1,127
Pledges and grants receivable	<u>131,592</u>
Total current assets	<u>158,904</u>
PROPERTY AND EQUIPMENT	
Equipment, net of accumulated depreciation	<u>45,990</u>
	<u>\$ 204,894</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable - trade	768
Accrued payroll taxes	8,344
Line of credit - compass bank	<u>20,860</u>
Total current liabilities	<u>29,972</u>
OTHER LIABILITIES	
Mortgage note - transitional home	<u>34,870</u>
Total other liabilities	<u>34,870</u>
NET ASSETS	
Unrestricted net assets	<u>140,052</u>
	<u>\$ 204,894</u>

See notes to financial statements

Aid to Inmate Mothers, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2013

	<u>GENERAL OPERATING FUND</u>
CHANGES IN UNRESTRICTED NET ASSETS	
Support and revenue	
Direct public support	
State, city, and foundation	185,589
Individuals, churches, and organizations	34,662
Fundraising income	<u>4,921</u>
Total direct public support	<u>225,172</u>
Indirect support	
United Way	<u>32,535</u>
Total unrestricted revenues and gains	<u>257,707</u>
Expenses	
Program services	219,930
Management and general	18,268
Fundraising	<u>9,101</u>
Total expenses	<u>247,299</u>
Other revenue and expenses	
In-kind gifts	4,500
Sub-lease income	3,079
Other income	233
Interest and dividend income	12
Change in value of marketable securities	<u>206</u>
Total other revenue and expenses	<u>8,030</u>
Increase in unrestricted net assets	18,438
Net assets, beginning of year	<u>121,614</u>
Net assets, end of year	<u><u>\$ 140,052</u></u>

See notes to financial statements

Aid to Inmate Mothers, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

	Program Services	Supporting Services		Program and Supporting Services
		Management and General	Fund Raising	
EXPENSES				
Salaries	\$ 105,937	\$ 12,463	\$ 6,232	\$ 124,632
Payroll taxes	7,632	898	449	8,979
Total employee compensation	113,569	13,361	6,681	133,611
OTHER EXPENSES				
Programs	65,777	-	-	65,777
Professional fees	5,590	658	329	6,576
Occupancy	5,325	627	313	6,265
Travel	674	79	40	793
Legal and accounting	5,100	600	300	6,000
Telephone	3,332	392	196	3,920
Fundraising expense	-	-	25	25
Copier lease and maintenance	1,519	179	89	1,788
Other expenses	1,371	161	81	1,613
Insurance	4,847	570	285	5,701
Public relations	28	3	2	34
Postage and shipping	1,620	191	95	1,906
Operating supplies	3,975	468	235	4,676
Vehicle expenses	464	55	27	546
Computer and software	684	81	40	805
Finance charges	630	74	37	741
Bank charges	11	1	1	13
Professional memberships	889	237	59	1,185
Meals and entertainment	77	9	5	91
Investment fees	56	7	3	66
Total expenses before depreciation and amortization	215,538	17,752	8,842	242,132
Depreciation	4,392	517	258	5,167
Total functional expenses	\$ 219,930	\$ 18,268	\$ 9,101	\$ 247,299

See notes to the financial statements

Aid to Inmate Mothers, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

	<u>GENERAL OPERATING FUND</u>
CASH FLOWS FROM OPERATIONS	
Increase in net assets	\$ 18,438
Adjustments to reconcile increase in net assets to cash flows provided by operations:	
Depreciation and amortization	5,167
Increase in marketable securities	(150)
Decrease in prepaid expenses	4,925
Increase in pledges and grants receivable	(15,377)
Decrease in accounts payable - trade	(3,163)
Increase in accrued payroll taxes	<u>5,553</u>
Net cash provided by operations	<u>15,393</u>
CASH FLOWS INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(42,238)</u>
Net cash used in operations	<u>(42,238)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowing under line of credit agreement	9,350
Net borrowing under mortgage note agreement	<u>34,870</u>
Net cash provided by operations	<u>44,220</u>
NET INCREASE IN CASH FLOWS	17,375
CASH AT THE BEGINNING OF THE YEAR	<u>7,994</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 25,369</u></u>

See notes to financial statements

Aid to Inmate Mothers, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Aid to Inmate Mothers, Inc. was incorporated on October 5, 1990 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 re-enter society and have a successful relationship with their families, and to improve the relationship between the incarcerated mothers and their children.

2. Basis of accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied is on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the balance sheet. Income and expense statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The financial records of Aid to Inmate Mothers, Inc. are accounted for using the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

3. Financial Statement Presentation

Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

4. Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

5. Income Taxes

Aid to Inmate Mothers, Inc. is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) as a public charity and, therefore, does not have any income tax expense or liability. For the year ended December 31, 2013, no unrelated business income was received by Aid to Inmate Mothers, Inc.

6. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

Aid to Inmate Mothers, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

December 31, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Property and Equipment

Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using an accelerated method over the estimated useful lives of the assets.

8. Use of Estimates

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

9. Accounts Receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

10. Grants Receivable

Grants receivable consist of amounts due from government agencies, based on the terms of the related grant agreements. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the government agency and the age of the receivable balance. Since these amounts are believed to be fully collectible, no provision has been made for doubtful accounts.

NOTE B PROPERTY AND EQUIPMENT

Property and equipment are composed of the following:

Equipment	\$ 38,035
Building - transitional home	36,953
Automobiles	4,500
Less: accumulated depreciation	<u>(33,498)</u>
	<u>\$ 45,990</u>

NOTE C DONATED SERVICES

No amounts have been reflected in the financial statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time in the organization's program services and in its management. The organization had approximately 300 volunteers in Alabama who contributed 4,000 hours during the year ended December 31, 2013.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

December 31, 2013

NOTE D LEASE

The Organization leases its office space in Montgomery, Alabama, under an operating lease which expires December 31, 2013. The lease is renewed on an annual basis. Office lease expense as of December 31, 2013 was \$6,265.

NOTE E LINE OF CREDIT

The Organization entered into a line of credit agreement with Compass Bank on February 11, 2009, which has a credit limit of \$30,000. This line is collateralized by all of the Organization's unrestricted assets. Terms of the credit agreement state that the interest rate is the Compass Bank Prime plus 4.60%. As of December 31, 2013, the annual interest rate was 7.85% and there was a balance due of \$20,860.

NOTE F SHORT-TERM DEBT

During May 2013, the Organization purchased a house at 660 Morgan Avenue, Montgomery, AL. The house will be used as a transitional home as well as the home office for the Organization. The purchase price of the house was \$120,000 with the City of Montgomery agreeing to pay \$80,000 plus fees leaving the remaining \$40,000 to be paid by the Organization.

The Organization entered into a mortgage note agreement with Compass Bank in May 2013. Total amount borrowed was \$40,000; monthly payments of \$957 include interest at 6.84%; due May 2018; collateralized by building. As of December 31, 2013, there was a balance due of \$34,870.