



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



TENDERLOVE
COMMUNITY CENTER

Financial Statements
and
Independent Auditors' Report

December 31, 2022

TenderLove Community Center, Inc.

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Independent Auditors' Report

Board of Directors and Management
TenderLove Community Center, Inc.

Opinion

We have audited the accompanying financial statements of TenderLove Community Center, Inc. (TLCC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TLCC as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity 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. 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 TLCC 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 TLCC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 TLCC'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 TLCC'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 have identified during the audit.

SJT Group LLC

Albuquerque, New Mexico
June 2, 2023

Financial Statements

TenderLove Community Center, Inc.

Statement of Financial Position

December 31, 2022

Assets

Current assets

Cash and cash equivalents	\$	827,901
Grant and contract receivables		<u>80,365</u>
Total current assets		908,266

Property and improvements, net 623,207

Total assets \$ 1,531,473

Liabilities and Net Assets

Current liabilities

Accrued liabilities	\$	9,860
Accounts payable		4,342
Deferred revenue		44,160
Notes payable, current portion		<u>32,711</u>
Total current liabilities		91,073

Notes payable, net of current portion 682,926

Total liabilities 773,999

Net assets

Without donor restrictions		<u>757,474</u>
Total net assets		<u>757,474</u>

Total liabilities and net assets \$ 1,531,473

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

TenderLove Community Center, Inc.

Statement of Activities

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>
Support and Revenue	
Grants and contracts	\$ 1,320,000
Contributions	130,729
Other income	<u>10,039</u>
Total support and revenue	<u>1,460,768</u>
Expenses	
Program services	595,661
Management and general	<u>129,561</u>
Total expenses	<u>725,222</u>
Change in net assets	735,546
Net assets, beginning of year	<u>21,928</u>
Net assets, end of year	<u><u>\$ 757,474</u></u>

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

TenderLove Community Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management and General	Total
	<u> </u>	<u> </u>	<u> </u>
Salaries and wages	\$ 174,844	\$ 30,855	\$ 205,699
Recovery housing costs	115,764	-	115,764
Donations	95,050	-	95,050
Repairs and maintenance	46,058	11,515	57,573
Administrative costs	-	48,293	48,293
Stipends	20,120	5,030	25,150
Interest expense	16,383	4,096	20,479
Materials and supplies	13,250	3,313	16,563
Payroll taxes	13,288	2,345	15,633
Depreciation	12,084	3,021	15,105
Program costs	14,685	-	14,685
Vehicles	13,198	1,466	14,664
Office supplies	12,183	1,354	13,537
Telephone and utilities	10,574	2,644	13,218
Miscellaneous expenses	9,632	2,408	12,040
Employee benefits	8,826	1,558	10,384
Training	7,819	-	7,819
Professional fees	1,531	6,122	7,653
Facilities	5,430	1,358	6,788
Insurance	1,656	1,656	3,312
Rent	1,228	1,501	2,729
Travel	850	696	1,546
Dues and subscriptions	1,208	302	1,510
Bank fees	-	28	28
	<u>\$ 595,661</u>	<u>\$ 129,561</u>	<u>\$ 725,222</u>

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

TenderLove Community Center, Inc.

Statement of Cash Flows For the Year Ended December 31, 2022

Cash flows from operating activities	
Cash received from grants, contracts and contributions	\$ 1,414,524
Cash paid to suppliers	(453,580)
Cash paid to employees and payroll related costs	(221,856)
Interest paid	(20,479)
Other receipts	<u>10,039</u>
Net cash provided by operating activities	<u>728,648</u>
Cash flows from investing activities	
Purchases of property and improvements	<u>(64,223)</u>
Net cash used by investing activities	<u>(64,223)</u>
Cash flows from financing activities	
Proceeds from notes payable	80,317
Principal payments on notes payable	<u>(22,184)</u>
Net cash provided by financing activities	<u>58,133</u>
Net increase in cash	722,558
Cash and cash equivalents, beginning of year	<u>105,343</u>
Cash and cash equivalents, end of year	<u><u>\$ 827,901</u></u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	<u>\$ 735,546</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	15,105
Changes in assets and liabilities	
Grants receivable	(80,365)
Accrued liabilities	9,860
Accounts payable	4,342
Deferred revenue	<u>44,160</u>
Total adjustments	<u>(6,898)</u>
Net cash provided by operating activities	<u><u>\$ 728,648</u></u>

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

TenderLove Community Center, Inc.

Notes to Financial Statements

December 31, 2022

1) Organization

TenderLove Community Center, Inc. (TLCC) was incorporated on April 20, 2010 in the state of Georgia. TLCC is organized and is operated exclusively for charitable purposes, including, but not limited to, providing housing and sewing curriculum to low-income individuals, focusing mainly on women. Many are trauma survivors, immigrants, and/or recently incarcerated individuals. TLCC participates in these and other activities that will not jeopardize the tax-exempt status of TLCC. TLCC may pursue its authorized purposes within the State of New Mexico and, if authorized by its Board of Directors, may engage in any other activity lawful for corporations organized under the New Mexico Nonprofit Corporation Act. The Internal Revenue Service issued a determination letter stating that TLCC qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3). TLCC's major sources of revenue are charitable contributions and grants/contracts from other organizations and local governments to provide housing and education to at-risk individuals.

2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of TLCC are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

TLCC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and resources whose use by TLCC is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of TLCC. During 2022, TLCC had no net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TenderLove Community Center, Inc.
Notes to Financial Statements
December 31, 2022

2) Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents

TLCC considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. TLCC maintains depository accounts with various financial institutions insured by the Federal Deposit Insurance Corporation. Balances in these accounts may at times exceed federally insured limits. TLCC has not experienced any losses on such accounts and management believes it is not exposed to significant credit risk from these accounts.

Grant and Contract Receivables

Grant and contract receivables are stated at unpaid balances, less an allowance for doubtful accounts, if applicable. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and situations that may affect the ability of the funding agencies and contributors to pay. Receivables are charged off in the period in which management determines the receivable is uncollectible. There was no allowance for uncollectible receivables as of December 31, 2022.

Property and Improvements

Property and equipment are carried at cost. All items with a cost or fair value in excess of \$1,000 are capitalized. Depreciation of property and equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using straight-line methods over 15 to 35 years. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

Deferred Revenue

TLCC records cash received as a deposit for events to be held in future years as deferred revenue. Deferred revenue of \$44,160 as of December 31, 2022, consists of advance payments for a gala event that will be held in 2023.

Revenue Recognition

Contributions received are recorded as revenue when TLCC has a legally enforceable right to collect those contributions. Contributions are recorded as net assets with or without restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if 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, depending on the nature of the restriction. When a restriction expires (i.e., when the time or purpose of the 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.”

TenderLove Community Center, Inc.

Notes to Financial Statements

December 31, 2022

2) Summary of Significant Accounting Policies — continued

Grants and contracts revenue are recognized when qualifying reimbursable costs have been incurred. Reimbursements for incurred costs that have not yet been received are presented as grant and contract receivables in the statement of financial position.

Income Taxes

TLCC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. TLCC has adopted FASB Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. TLCC has not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption. TLCC's income tax filings for the years ended December 31, 2019 and thereafter are subject to audit by various taxing authorities.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis 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. Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation Method</u>
Salary and wages	Time and effort
Professional fees and stipends	Specific identification
Employee benefits and payroll taxes	Time and effort
Interest and depreciation	Square footage

Risk Management

TLCC is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. TLCC has obtained commercial insurance coverage to protect itself against such losses.

Wholly Owned Subsidiary

TLCC is the sole member of Sew 4 Real, LLC, a New Mexico limited liability company. Management has determined that the balances and activities of Sew 4 Real, LLC, are immaterial, and has elected not to consolidate the balances and activities of Sew 4 Real, LLC with those of TLCC.

TenderLove Community Center, Inc.

Notes to Financial Statements

December 31, 2022

2) Summary of Significant Accounting Policies — continued

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are issued. TLCC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements.

Subsequent events through June 2, 2023, the date which the financial statements were available to be issued, were evaluated for recognition and disclosure in the financial statements. See Note 8 for a description of subsequent events.

3) Donated Materials and Services

Donated materials and services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by TLCC. TLCC receives donated services and materials from volunteers and board members for program activities. The value of these services has not been recorded as the services do not meet the recognition criteria of FASB ASC 958-10-20, *Accounting for Contributions Received and Contributions Made*.

4) Availability and Liquidity

The following represents TLCC's financial assets at December 31, 2022:

Financial assets at year end:	
Cash and cash equivalents	\$ 827,901
Grant and contract receivables	<u>80,365</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 908,266</u>

As part of TLCC's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is maintained in the bank so that funds are easily accessed in times of liquidity needs. During times of cash flow difficulty, TLCC has been able to reduce expenses to an acceptable level until additional grants are received.

TenderLove Community Center, Inc.

Notes to Financial Statements

December 31, 2022

5) Property and Improvements

At December 31, 2022, property and improvements consisted of the following:

Buildings	\$	484,815
Improvements		<u>68,250</u>
		553,065
Less accumulated depreciation		<u>(51,062)</u>
Net depreciable assets		502,003
Land		<u>121,204</u>
Property and improvements, net	\$	<u><u>623,207</u></u>

6) Notes Payable

Notes payable at December 31, 2022, consists of the following:

Note payable to a credit union, secured by real estate, with monthly payments of principal and interest of \$2,574 through May 2037, with a stated and effective interest rate of 3.30%.	\$	354,946
Note payable to a bank, secured by real estate, with monthly payments of principal and interest of \$1,396 through January 2025 and \$138,971 due in February 2025 at maturity, with a stated and effective interest rate of 4%.		160,691
Unsecured note payable to the United States Small Business Administration, with monthly payments of principal and interest of \$885 through September 2050, with a stated and effective interest rate of 2.75%.		<u>200,000</u>
Total		715,637
Less notes payable, current portion		<u>(32,711)</u>
Notes payable, net of current portion	\$	<u><u>682,926</u></u>

TenderLove Community Center, Inc.

Notes to Financial Statements

December 31, 2022

6) Notes Payable — continued

Principal maturities of notes payable are as follows for the year ended December 31,

Year ending December 31:

2023	\$	32,711
2024		36,050
2025		165,486
2026		26,931
2027		27,814
Thereafter		<u>426,645</u>
	\$	<u><u>715,637</u></u>

7) **Concentrations**

Two providers make up approximately 88% of the \$1,320,00 of grants and contracts revenue for the year ended December 31, 2022.

8) **Subsequent Events**

Subsequent to year end, in March 2023, TLCC purchased a building for use as recovery housing. The property was purchased for \$245,000, including land and building, and was financed by a \$196,000 loan from a bank, with the remaining balance being paid in cash.