

# **Financial Beginnings USA**

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Financial Statements

June 30, 2022

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DOUGALL CONRADIE LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCP

Independent Auditor's Report

**To the Board of Directors  
Financial Beginnings USA**  
Portland, Oregon

**Opinion**

We have audited the accompanying financial statements of Financial Beginnings USA (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 Financial Beginnings USA as of June 30, 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Financial Beginnings USA 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 Financial Beginnings USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's 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 auditor's 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 Financial Beginnings USA'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 Financial Beginnings USA'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.

### **Report on Summarized Comparative Information**

We have previously audited Financial Beginnings USA's 2021 financial statements, and we expressed an unqualified opinion on those financial statements in our report dated January 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dougall Conradie LLC*

Portland, Oregon  
January 20, 2023

Financial Beginnings USA

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 37,674	\$ 247,830
Accounts receivable	24,585	7,595
Grants receivable	-	33,000
Prepaid expenses	<u>3,953</u>	<u>9,634</u>
Total current assets	66,212	298,059
Fixed assets, net of accumulated depreciation	<u>975</u>	<u>1,334</u>
Total assets	<u>\$ 67,187</u>	<u>\$ 300,011</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 3,037	\$ 16,634
Accrued payroll	32,741	33,407
Accrued vacation	<u>34,979</u>	<u>34,915</u>
Total liabilities	70,757	143,991
<b>NET ASSETS</b>		
Net assets (deficit) without restrictions	<u>(3,570)</u>	<u>215,055</u>
Total net assets (deficit)	<u>(3,570)</u>	<u>215,055</u>
Total liabilities and net assets	<u>\$ 67,187</u>	<u>\$ 300,011</u>

The accompanying notes are an integral part of these financial statements

Financial Beginnings USA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2022  
(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Revenues:		
Grants and contributions of cash and other financial assets	\$ 526,666	\$ 342,817
Contributions of nonfinancial assets	19,504	9,140
Program income	209,068	145,207
Forgiveness of Paycheck Protection Program loan	-	201,687
Interest and other income	49	409
	<hr/>	<hr/>
Total revenues	755,287	699,260
Operating expenses:		
Program services	754,219	688,061
General and administrative	54,935	114,549
Fundraising	164,758	127,455
	<hr/>	<hr/>
Total expenses	973,912	930,065
Change in net assets	(218,625)	(230,948)
Net assets, beginning of year	<hr/> 215,055	<hr/> 445,860
Net assets (deficit), end of year	<hr/> <u>\$ (3,570)</u>	<hr/> <u>\$ 215,055</u>

The accompanying notes are an integral part of these financial statements

Financial Beginnings USA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022  
 (With Comparative Totals for the Year Ended June 30, 2021)

	2022			Total	2021 Total
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 459,332	\$ 22,794	\$ 100,262	\$ 582,388	\$ 637,013
Employee benefits	43,561	2,162	9,508	55,231	65,306
Payroll taxes	39,302	2,169	7,505	48,976	50,263
Program expense	9,995	-	-	9,995	67,115
Cost of materials sold	34,449	-	-	34,449	-
Occupancy	11,939	4,767	3,848	20,554	23,584
Communications	2,085	7,500	-	9,585	7,049
Advertising and marketing	5,707	1,677	1,796	9,180	4,342
Office expenses	10,583	3,697	2,822	17,102	15,688
Travel	3,760	3,448	-	7,208	570
Professional fees	129,292	6,512	27,785	163,589	54,359
Fundraising event	-	-	10,312	10,312	-
Insurance	3,443	171	752	4,366	3,799
Depreciation	771	38	168	977	977
<b>Total expenses</b>	<b>\$ 754,219</b>	<b>\$ 54,935</b>	<b>\$ 164,758</b>	<b>\$ 973,912</b>	<b>\$ 930,065</b>

The accompanying notes are an integral part of these financial statements

Financial Beginnings USA

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022  
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from grants and contributions	\$ 559,666	\$ 414,817
Cash received from affiliates, licensing and sale of materials	192,078	164,826
Cash received from interest and other	49	409
Cash paid to employees and suppliers	<u>(961,949)</u>	<u>(896,857)</u>
Net cash used in operating activities	<u>(210,156)</u>	<u>(316,805)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>-</u>	<u>(1,595)</u>
Net cash used in investing activities	-	(1,595)
Cash flows from financing activities:		
Advance on note payable	<u>-</u>	<u>118,087</u>
Net cash provided by financing activities	<u>-</u>	<u>118,087</u>
Net change in cash	(210,156)	(200,313)
Cash and cash equivalents, beginning of year	<u>247,830</u>	<u>448,143</u>
Cash and cash equivalents, end of year	<u><u>\$ 37,674</u></u>	<u><u>\$ 247,830</u></u>

The accompanying notes are an integral part of these financial statements



FINANCIAL BEGINNINGS USA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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NOTE A – ORGANIZATION

Financial Beginnings USA (the “Organization”) is a nonprofit corporation organized in the State of Oregon. The Organization works to increase the financial literacy of youth and young adults in the United States of America. The Organization receives funding from grants and contributions and payments from affiliates for products and services.

The Organization uses an affiliate model for operations. Under this model Financial Beginnings executes agreements with affiliates, which are separate 501(c)(3) nonprofit organizations. Under the affiliate agreements the Organization retains ownership of all intellectual property and provides curricula and certain services to the affiliates. The affiliates in turn agree to purchase curricula only from the Organization, pay the Organization annual dues, and provide free financial literacy classes using the Financial Beginnings curricula.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follow.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization 's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term debt instruments purchased with an original maturity of three months or less to be cash equivalents.

FINANCIAL BEGINNINGS USA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Accounts Receivable

Accounts receivable are stated at the amount invoiced to the client, less a reasonable allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the amount and regularity of subsequent collections, payment history, and management's knowledge of current financial circumstances of the client or contracting agency. Receivables are written off when management determines that the possibility of collection is remote. Management has determined that no allowance was deemed necessary at June 30, 2022.

Grants and Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Capital Assets

Capital assets are recorded at cost. Acquisitions, renovations and repairs which increase the value of assets and have an estimated useful life in excess of one year are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred. Contributed assets are recorded at fair market value on the date of contribution. Contributed services which extend the useful life or increase the value of assets are recorded at fair value. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets, which is generally seven years for furniture and equipment and three years for leasehold improvements.

Advertising Costs

Advertising is expensed as incurred.

FINANCIAL BEGINNINGS USA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, prepaid expenses and other assets, and accounts payable, their fair value approximates carrying value.

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fundraising Expenses

The Organization follows the guidance in ASC 958-720 related to accounting for costs of activities that include fundraising. As a result, if a fundraising activity contains joint costs that might be allocated to programs or other activities, specific criteria regarding the audience and purpose of activity will be considered before costs will be allocated. If the criteria are not met, all costs are reported as fundraising expenses. During the year ended June 30, 2022 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year were \$127,455.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that were allocated include the following:

Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Office expenses	Time and effort
Insurance	Time and effort

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2021

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to current year presentation.

FINANCIAL BEGINNINGS USA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2022:

Financial assets at year end:	
Cash and cash equivalents	\$ 37,674
Accounts receivable	<u>24,585</u>
 Total financial assets available	 \$ <u>62,259</u>

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization’s cash needs are expected to be met on a monthly basis from regular revenue sources. In general, the Organization maintains sufficient financial assets on hand to meet normal operating expenditures and to reserve for future needs.

NOTE D – CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2022, contributed nonfinancial assets recognized in the statement of activities were as follows:

	Revenue Recognized	Utilization in Programs	Donor Restrictions	Valuation Techniques
Office space rent	\$ 2,904	Program services and administrative	None	Fair value of rent Face value of the gift cards
Gift cards	3,750	Program services	None	Valued based on current rates for similar services
Professional services	<u>12,850</u>	Program services and administrative	None	
	<u>\$ 19,504</u>			

Contributed office space is valued at the contract rate for the existing office lease.

Gift cards are valued at the face value of the gift cards.

Professional services received which create or enhance a non-financial assets or which require specialized skills that the Organization would have purchased if not donated in the statement of activities as donated services and materials. Donated legal services are recognized at the rate charged for similar services as determined by the donor.

FINANCIAL BEGINNINGS USA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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NOTE E – FURNISHINGS AND EQUIPMENT

Furnishings and equipment at June 30, 2022 consists of the following:

Office furnishings	\$ 4,705
Less accumulated depreciation	<u>(3,730)</u>
	<u>\$ 975</u>

Depreciation expense was \$977 for the year ended June 30, 2022.

NOTE F – OPERATING LEASE

The Organization has a lease agreement for office space. The lease requires monthly rental payments of \$1,730 and expires March 31, 2025.

Future obligations under the terms of the operating lease are as follows:

Year ending June 30:

2023	\$ 21,702
2024	22,350
2025	<u>17,010</u>
	<u>\$ 61,062</u>

Total rent expense under the terms of these leases was \$20,554 during the year ended June 30, 2022. Of the total rent expense, there was \$2,904 of in-kind rent expense for the year ended June 30, 2022.

NOTE G – RELATED PARTY TRANSACTIONS

The Organization has four affiliates in Oregon, Washington, California and Nebraska. During the year ended June 30, 2022 the Organization had the following transactions with these related parties:

Affiliate Licensing Dues, Services, Materials Sold revenue:

Oregon affiliate	\$ 66,381
Washington affiliate	50,112

FINANCIAL BEGINNINGS USA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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NOTE H – SALE OF MATERIALS

The Organization sells materials to affiliates for use in their programs. Sales and cost of materials was as follows for the year ended June 30, 2022:

Sales	\$ 54,986
Cost of sales	<u>34,449</u>
Net margin	\$ <u>20,537</u>

NOTE I – SUBSEQUENT EVENTS

The Organization has evaluated for subsequent events through January 20, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2022.

In July 2022 the Organization was awarded an unrestricted grant of \$1,000,000 from the Fairbridge Foundation for operating support. The grant will be paid \$250,000 per quarter with the final payment to be received in July 2023.

In December 2022 the Organization was awarded a grant of \$325,000 from the M. J. Murdock Charitable Trust to be paid over three years from 2023 to 2025.