

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

SHAKE-A-LEG MIAMI, INC.

MIAMI, FLORIDA

TURNER & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying statement of financial position of Shake-A-Leg Miami, Inc. (a nonprofit corporation) as of September 30, 2020, and the related statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Shake-A-Leg Miami, Inc. as of September 30, 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2021 on our consideration of Shake-A-Leg Miami, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shake-A-Leg Miami, Inc.'s internal control over financial reporting and compliance.

Turner & Associates, LLP

Miami Lakes, Florida
January 15, 2021

SHAKE- A - LEG MIAMI, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$	374,625
Grants and contract receivables		75,409
Prepaid expenses		<u>7,400</u>

TOTAL CURRENT ASSETS \$ 457,434

NON CURRENT ASSETS

Property and equipment, net		<u>198,483</u>
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TOTAL ASSETS \$ 655,917

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	12,966
Loan advance		149,000
Note payable - short-term portion		<u>48,000</u>

Total Current Liabilities \$ 209,966

NON CURRENT LIABILITIES

Note payable - long-term portion		<u>207,249</u>
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Total Liabilities 417,215

NET ASSETS

Without donors restrictions:		
Undesignated		133,793
With donors restrictions		<u>104,909</u>

Total Net Assets 238,702

TOTAL LIABILITIES AND NET ASSETS \$ 655,917

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

SHAKE- A - LEG MIAMI, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Without Donors Restrictions	With Donors Restrictions	Total
REVENUES AND SUPPORT			
Government Grants	\$ -	\$ 248,074	\$ 248,074
In-kind contributions	390,900	-	390,900
Contributions	443,188	349,534	792,722
Fundraising	64,453	-	64,453
Program revenue	294,952	-	294,952
Net assets released from restrictions	492,699	(492,699)	-
Total revenues and support	1,686,192	104,909	1,791,101
EXPENSES			
Program services:			
Program services expenses	1,687,891	-	1,687,891
Total program services	1,687,891	-	1,687,891
Supporting services:			
Management and general	133,142	-	133,142
Fundraising	207,812	-	207,812
Total supporting services	340,954	-	340,954
Total expenses	2,028,845	-	2,028,845
CHANGE IN ASSETS	(342,653)	104,909	(237,744)
NET ASSETS, October 1, 2019	467,946	-	467,946
Adjustments To Begining Net Assets	8,500	-	8,500
ADJUSTED NET ASSETS, October 1, 2019	476,446	-	476,446
NET ASSETS, September 30, 2020	\$ 133,793	\$ 104,909	\$ 238,702

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

SHAKE- A - LEG MIAMI, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (237,744)	
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	38,151	
Loss on disposal of assets	2,674	
Fair value of donated property and equipment	(5,000)	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contract receivables	(55,468)	
Prepaid expenses	6,273	
Loan advance	149,000	
Accounts payable and accrued expenses	<u>(31,297)</u>	
Net cash used in operating activities		\$ (133,411)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(5,394)	
Proceeds from sale of property and equipment	<u>173,000</u>	
Net cash provided by investing activities		167,606

CASH FLOWS FROM FINANCING ACTIVITIES:

Net change in loans	\$ <u>114,000</u>	
Net cash provided by financing activities		<u>114,000</u>

NET INCREASE IN CASH 148,195

CASH, October 1, 2019 226,430

CASH, September 30, 2020 \$ 374,625

Supplemental disclosure of cash flow information

Cash paid during the period for:

Interest	\$ 7,831
Non-cash investing and financing activities:	
Property and equipment received as gift	5,000
Other assets received as gift	5,900

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

SHAKE- A - LEG MIAMI, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services		Support Services		Total Expenses
	Education	Management & general	Fundraising	Sub-total	
FUNCTIONAL EXPENSES					
Depreciation	\$ 35,480	\$ 763	\$ 1,908	\$ 2,671	\$ 38,151
Insurance	96,437	2,074	5,185	7,259	103,696
Interest	-	7,831	-	7,831	7,831
Occupancy in-kind expense	361,200	3,800	15,000	18,800	380,000
Other in-kind expenses	5,723	59	118	177	5,900
Outreach	-	-	4,302	4,302	4,302
General program expenses	153,758	-	-	-	153,758
General support program	303	28,435	1,513	29,948	30,251
Repairs & maintenance	66,508	747	7,473	8,220	74,728
Salaries, payroll taxes and benefits	850,505	84,703	165,478	250,181	1,100,686
Services and professional fees	69,312	3,894	4,673	8,567	77,879
Travel	7,112	-	72	72	7,184
Loss on disposal of assets	2,674	-	-	-	2,674
Utilities	38,879	836	2,090	2,926	41,805
TOTAL FUNCTIONAL EXPENSES	\$ 1,687,891	\$ 133,142	\$ 207,812	\$ 340,954	\$ 2,028,845

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

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Shake-A-Leg Miami, Inc. (the "Organization") is a not-for-profit organization whose objective is to use the marine environment to improve the health, education, and independence of adults and children with disabilities, wounded veterans, as well as disadvantaged youth and their families.

METHOD OF ACCOUNTING

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

BASIS OF PRESENTATION

The Organization follows the recommendations of the FASB Accounting Standards Codification, (ASC), under statement ASC 958, in its statement presentation. During 2019, the organization adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Non-for-Profit Entities. This guidance is intended to improve the net asset classification requirements, and the information presented in the financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. 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 restriction when the associated long-lived assets is placed in serviced; a recognition of underwater endowment funds as a reduction in net assets with donor restriction. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restriction, liquidity, and expenses by both their natural and functional classification. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - Net assets available for general use and not subject to donor restrictions. The organization's policy is to designate net assets without donor restrictions at the discretion of the Board of Director. At September 30, 2020 there is no amount designated for specific purposes by the Board.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by the passage of time or can be fulfilled and removed by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There are \$104,909 on temporary restricted net assets as of September 30, 2020.

CASH AND CASH EQUIVALENTS

The Organization's cash consist in of cash deposits in banks.

CONCENTRATION OF CREDIT RISK

At various times during the year, the Organization may have cash in excess of federally insured limits.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONCENTRATION OF CREDIT RISK

However, the Organization maintains its cash with high quality financial institutions, which the Organization believes, limits their risks. At September 30, 2020, the Organization's uninsured cash balance was \$23,789.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets. Cost of major additions and improvements are capitalized and expenditures for maintenance and repairs which do not extend the useful life of the assets are expensed. Donated equipment is recorded at fair market value at the date of the gift.

GRANTS AND CONTRACT REVENUE

Grants and contracts revenue are reported at the estimated net realizable amounts due from sponsoring agencies. These grants and contract awards general specify the purpose for which the funds are to be used. Revenues from sponsored grants and contracts are recognized when allowable expenditures are incurred under such agreements. These revenues, primarily from The Children's Trust, were released from donor restriction and recorded as net assets without donor restrictions. Amounts recorded in grants and contracts receivable are for grant expenditures incurred in advance of the receipt of funds. At September 30, 2020 there was \$75,409 as grants receivable.

DONATED PROPERTY AND EQUIPMENT

Donated property and equipment are recorded as contributions at their estimate fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions. 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, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies restricted net assets to unrestricted net assets at that time.

CONTRIBUTIONS

The Organization accounts for contributions in accordance with FASB ASC No. 605. Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair market value. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions, which are restricted by the donor, are reported as increases in net assets without donor restrictions if the restriction expires in the same year in which the contributions are recognized. All other donor-restricted contributions are reported as increased in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions receivable are due in less than one year.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
CONTRIBUTIONS

PROGRAM REVENUE

Program revenue is composed of the program fees charged to those who participate in summer camps, outings and other events. As exchange transactions, these are accounted for under ASC 606. The revenue is recognized when the Organization has satisfied its performance obligation by transferring control over a product or service to customer. The program revenue is when the service was provided at the price charged to participants.

DONATED SERVICES AND GOODS

Donated services are recognized as contributions in accordance with FASB ASC No.605, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising and other services throughout the year that are not recognized as contributions in the financial statements since these are not susceptible to objective measurement or valuation.

Donations in kind for donated food of \$5,900, donated property and equipment of \$5,000 and facilities usage of \$380,000 are reflected in the financial statements and are included in contributions and deducted in expenses. The Organization occupied its offices under a Management Agreement with the City of Miami. During the course of a year, Shake-A-Leg provides significant annual economic benefits to the City of Miami in the form of service to disabled adults, disabled children and families with economic hardships, as well as maintenance and improvements to City of Miami property.

EXPENSE ALLOCATION

The costs of program and supporting services activities have been summarized on the functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Support services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Therefore, expenses required allocation on reasonable basis that is consistently applied. All expenses are allocated on the basis of estimated time and efforts or supporting service benefited.

INCOME TAXES

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3). This exemption is subject to periodic review by the Internal Revenue Code and is not a private foundation. Additionally, Topic 740 provides guidance on measurement, recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. In accordance with the disclosure requirements, the Organization's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of total interest expense and other expenses, respectively. At September 30, 2020, the Organization did not have any uncertain tax positions and thus has not recognized any interest and penalties in these financial statements. Tax years that remain subject to examination by federal authorities are 2017, 2018 and 2019; there are no examinations being conducted.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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 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.

NEW ACCOUNTING PRONOUNCEMENT

Shake-A-Leg Miami, Inc. has adopted ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended September 30, 2020 did not result in a change to the accounting for Shake-A-Leg Miami, Inc.'s revenue.

NOTE 2 - GRANTS AND CONTRACT RECEIVABLE

Grants and contracts receivable are for program services provided in fiscal year ended September 30, 2020 and are considered fully collectible.

NOTE 3 - GRANTS CONTINGENCY

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. At September 30, 2020, there was no contingency recorded.

NOTE 4 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise of the following:

	2020
Cash	\$ 374,625
Grants and contract receivables	75,409
	<u>450,034</u>
Less those unavailable for general expenditures within one year	<u>(104,909)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 345,125</u>

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 - LIQUIDITY AND AVAILABILITY (continued)

As part of the Organization's liquidity management, the governing board has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. At September 30, 2020, the Board has not designated or reserved any portion of the financial assets for any specific operating purposes. Management maintained most of the funds restricted by the donors in a separate cash account.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2020 consist of the following:

Furniture, fixtures and office equipment	\$ 73,963
Computers and software	4,967
Leasehold Improvements	120,090
Boats and sailboats	517,256
Other marine equipment	<u>1,728</u>
	718,004
Less accumulated depreciation	<u>(519,521)</u>
	\$ <u>198,483</u>

Depreciation expense was \$38,151 for 2020. All properties and equipment were unrestricted and available for general program use.

NOTE 6 - NOTE PAYABLE AND LOAN ADVANCES

On February 2019, the Organization renewed its note payable with Coconut Grove Bank. Interest is payable monthly at a variable rate based in an independent index which is the Wall Street Journal Prime Rate. The loan is secured by all of the Organization's assets, and assignment of grants, award letters, and donations. The promissory note is scheduled to expire February 17, 2021. As of September 30, 2020, the outstanding balance on the note payable was \$105,248. Interest expense for the year ended September 30, 2020 was \$7,831.

On August 6, 2020, Shake-A-Leg's was granted a \$150,000 loan under the "Small Business Act" administered by a Small Business Administration (SBA) at the interest rate of 2.75%. The monthly installment payments of \$641, including principal and interest, will begin twelve months after the promissory note and will be payable thirty years from the date of the promissory note.

On May 6, 2020, Shake-A-Leg's was granted a \$149,000 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

- NOTE 6 - NOTE PAYABLE AND LOAN ADVANCES (Continued)
Proceeds from the loan are eligible for forgiveness if Shak-A-Leg maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended September 30, 2020. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The organization used the PPP loan proceeds for purposes consistent with the PPP and will apply for forgiveness within 10 months of the end of the covered period.
- NOTE 7 - CONCENTRATION OF REVENUES SOURCE
Significant contributions are defined as any contribution greater than 10% of the total support and revenues. For the year ended September 30, 2020, the Organization received 23% of contributions from The Children's Trust and 29% of contributions from The Bachelor Foundation.
- NOTE 8 - NET ASSETS
The net assets with donor restrictions were restricted for specific purposes principally for repair and maintenance of boats use for the programs and to a campaign to locate or recreate Fleet boats from the 1930's. The Organization 's Board of Directors has not designated any net assets for any specific purposes.
- NOTE 9 - CORRECTIONS
Certain corrections have been made to the beginning net assets balance of the accompanying financial statements to include some donated boats not previously recorded.
- NOTE 10 - SUBSEQUENT EVENTS
On October 3, 2020, the Organization received an employment demand from a former employee (the Plaintiff). On November 25, 2020, Shake-A-Leg filed its answer and affirmative defenses. At the Financial Statement date, management is not able to state that an outcome unfavorable to the Organization is either probable or remote nor the Organization is in a position to provide an estimate of the amount or range of potential loss in the event of an unfavorable outcome. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, no accrual was registered of the date of the financial statement.
- The Organization has evaluated other events and transactions for potential recognition or disclosure in the financial statements through January 15, 2021 (the date the financial statements were available to be issued). The Organization believes there are no other significant subsequent events.