

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021, 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, 2021, 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 February 21, 2022 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

Weston, Florida
February 21, 2022

SHAKE- A - LEG MIAMI, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$	341,294
Investments		189,444
Prepaid expenses		15,928
Assets held for sale		21,000
Other assets		<u>2,895</u>

TOTAL CURRENT ASSETS \$ 570,561

NON CURRENT ASSETS

Property and equipment, net	<u>184,729</u>
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TOTAL ASSETS \$ 755,290

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	27,838
Note payable - short-term portion		<u>57,249</u>

Total Current Liabilities \$ 85,087

NON CURRENT LIABILITIES

SBA loan	<u>150,000</u>
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Total Liabilities 235,087

NET ASSETS

Without donors restrictions:

Undesignated 370,294

With donors restrictions 149,909

Total Net Assets 520,203

TOTAL LIABILITIES AND NET ASSETS \$ 755,290

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

SHAKE- A - LEG MIAMI, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donors Restrictions	With Donors Restrictions	Total
REVENUES AND SUPPORT			
Government Grants	\$ -	\$ 303,840	\$ 303,840
In-kind contributions	798,541	-	798,541
Contributions	381,241	333,332	714,573
Fundraising	31,176	-	31,176
Program revenue	172,010	-	172,010
Net investment return	12,019	-	12,019
Other Income	297,345	-	297,345
Net assets released from restrictions	592,172	(592,172)	-
Total revenues and support	2,284,504	45,000	2,329,504
EXPENSES			
Program services:			
Program services expenses	1,795,333	-	1,795,333
Total program services	1,795,333	-	1,795,333
Supporting services:			
Management and general	154,473	-	154,473
Fundraising	33,979	-	33,979
Total supporting services	188,452	-	188,452
Total expenses	1,983,785	-	1,983,785
Loss on sale of assets	69,316	-	69,316
Gain on sale of investments	(5,098)	-	(5,098)
Loss/(Gain) of sale of assets	64,218	-	64,218
CHANGE IN ASSETS	236,501	45,000	281,501
NET ASSETS, October 1, 2020	133,793	104,909	238,702
NET ASSETS, September 30, 2021	\$ 370,294	\$ 149,909	\$ 520,203

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, 2021

	Program Services	Support Services			Total Expenses
	Education	Management & general	Fundraising	Sub-total	
FUNCTIONAL EXPENSES					
Depreciation	\$ 33,414	\$ 1,407	\$ 352	\$ 1,759	\$ 35,173
Insurance	67,322	1,388	694	2,082	69,404
Interest	-	4,761	-	4,761	4,761
Occupancy in-kind expense	361,000	15,200	3,800	19,000	380,000
Other in-kind expenses	19,136	-	-	-	19,136
Outreach	-	-	228	228	228
General program expenses	169,064	42	84	126	169,190
General support program	22,231	466	228	694	22,925
Repairs & maintenance	84,650	864	864	1,728	86,378
Salaries, payroll taxes and benefits	820,975	63,854	27,366	91,220	912,195
Services and professional fees	127,664	65,766	-	65,766	193,430
Travel	54,692	-	-	-	54,692
Utilities	35,185	725	363	1,088	36,273
TOTAL FUNCTIONAL EXPENSES	\$ <u>1,795,333</u>	\$ <u>154,473</u>	\$ <u>33,979</u>	\$ <u>188,452</u>	\$ <u>1,983,785</u>

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$	281,501
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		35,173
Loss on disposal of assets		69,316
Fair value of donated investments		(205,170)
Fair value of donated property and equipment		(194,235)
Forgiveness PPP loan		(297,322)
Realized and unrealized gain on investments		(14,794)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contract receivables		75,409
Prepaid expenses		(8,528)
Other assets		(2,895)
Accounts payable and accrued expenses		<u>14,872</u>
Net cash used in operating activities	\$	(246,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(1,048)
Proceeds from sale of investments		31,568
Proceeds from sale of property and equipment		<u>82,500</u>
Net cash provided by investing activities		113,020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on PPP Forgivable Loan - SBA		297,322
Net change in loans		<u>(197,000)</u>
Net cash provided by financing activities		<u>100,322</u>
NET DECREASE IN CASH		(33,331)
CASH, October 1, 2020		<u>374,625</u>
CASH, September 30, 2021	\$	<u><u>341,294</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$	4,761
Non-cash investing and financing activities:		
Property and equipment received as donation	\$	194,235
Investments received as donation	\$	205,170

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

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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. As of September 30, 2021, 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 \$149,909 on temporary restricted net assets as of September 30, 2021.

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, 2021

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. As of September 30, 2021, the Organization's uninsured cash balance was \$971.

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, 2021 there was no grants receivable.

INVESTMENTS

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, unrealized capital gains and losses, less external and direct internal investment expenses.

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.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

PROGRAM REVENUE

Program revenue is composed of the program fees charged to those who participate in summer camps, outings and other events. We charge the fair value of the benefit donors received. 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 programs revenue is recognized when such programs or events takes place.

DONATED SERVICES AND IN-KIND CONTRIBUTIONS

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 \$19,136, donated property and equipment (vessels) of \$194,235, donated investments of \$205,170 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.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
INCOME TAXES (Continued)

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, 2021, 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 2018, 2019 and 2020; there are no examinations being conducted.

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.

ADVERTISING COSTS

Advertising costs are expensed as incurred, and approximated \$288 during the year ended September 30, 2021.

NOTE 2 - GRANTS RECEIVABLE AND CONTINGENCY

There is no grants and contracts receivable as of year ended September 30, 2021. 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. As of September 30, 2021, there was no contingency recorded.

NOTE 3 - 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:

		2021
Cash	\$	341,294
Grants and contract receivables		-
		341,294
Less those unavailable for general expenditures within one year		(149,909)
Financial assets available to meet cash needs for general expenditures within one year.	\$	191,385

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. As of September 30, 2021, 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.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2021 consist of the following:

Furniture, fixtures and office equipment	\$ 73,963
Computers and software	4,967
Leasehold Improvements	120,090
Boats and sailboats	535,718
Other marine equipment	<u>1,728</u>
	736,466
Less accumulated depreciation	<u>(551,737)</u>
	<u>\$ 184,729</u>

Depreciation expense was \$35,173 for 2021. All properties and equipment were unrestricted and available for general program use.

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB Topic 820 Fair Value Measurements and Disclosures establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level significant input to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The Organizations 's investments value at September 30, 2021 are reported at fair value as follows:

Category	Fair Value	Quoted Prices: (Level 1)	Significant Other Inputs (Level 2)	Non- observable Inputs (Level 3)
Money markets	\$ 1,708	\$ 1,708	\$ -	\$ -
Mutual funds	1,287	-	1,287	-
Investments - corporate equity securities	186,449	186,449	-	-
 Total	 \$ 189,444	 \$ 188,157	 \$ 1,287	 \$ -

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. As of September 30, 2021, the outstanding balance on the note payable was \$57,249. The promissory note was paid off during January 2022.

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%. On November 18, 2021, this loan was updated from \$150,000 to \$500,000. The new monthly installment payment is \$2,215, including principal and interest, will begin twenty-four months after the promissory note and will be payable thirty years from the date of the promissory note.

On April 27, 2020 and March 20, 2021, Shake-A-Leg's was granted with a \$149,000 and \$148,322 loans, respectively, under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loans are uncollateralized and are fully guaranteed by the Federal government. The Organization was eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements. The Organization has initially recorded the loans as a refundable advance and recorded 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. The Organization used the PPP loan proceeds for purposes consistent with the PPP's requirements and received the forgiveness notice letters for both loans during 2021. The forgivable amount was recorded as revenue, and it is reflected in the "Other income" caption in these statements.

SHAKE-A-LEG MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - OTHER COMMITMENTS

During February 2022, the Organization settled an existing employment lawsuit within its insurance coverage. There is no additional accrual required for this lawsuit.

NOTE 8 - 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, 2021, the Organization received 13% of contributions from The Children's Trust and 11% of contributions from The Bachelor Foundation.

NOTE 9 - NET ASSETS

The net assets with donor restrictions were restricted for specific purposes principally for repair and maintenance of boats use for the programs, to a campaign to locate or recreate Fleet boats from the 1930's, and to a 2022 Fisher Island program. The Organization 's Board of Directors has not designated any net assets for any specific purposes.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated the events and transactions for potential recognition or disclosure in the financial statements through February 21, 2022 (the date the financial statements were available to be issued). The Organization believes there are no significant subsequent events.