

**Innovate Birmingham**  
**Financial Statements**  
**For the Year Ended December 31, 2019**

**INNOVATE BIRMINGHAM**

**Table of Contents  
For the Year Ended December 31, 2019**

---

Independent Auditor's Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-9

\* \* \* \* \*

## BORLAND | BENEFIELD

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Innovate Birmingham  
Birmingham, Alabama

We have audited the accompanying financial statements of the Innovate Birmingham (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements 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.

**Auditor's Responsibility**


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Innovate Birmingham as of December 31, 2019 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.

  
Borland Benefield, P.C.  
Birmingham, Alabama  
March 31, 2021



**INNOVATE BIRMINGHAM**

**Statement of Financial Position  
As of December 31, 2019**

---

<b>Assets</b>	
Cash and cash equivalents	\$ 90,066
Grants receivable	<u>51,469</u>
<b>Total Assets</b>	<b>\$ <u>141,535</u></b>
<b>Net Assets</b>	
Liabilities	
Accounts payable	\$ <u>652</u>
Total Liabilities	<u>652</u>
Net Assets	
Without donor restrictions	95,536
With donor restrictions	<u>45,347</u>
Total Net Assets	<u>140,883</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>141,535</u></b>

*See accompanying notes to financial statements.*

**INNOVATE BIRMINGHAM**

**Statement of Activities  
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Government grants	\$ -	\$ 573,566	\$ 573,566
Other	241	-	241
Net assets released from restrictions	<u>559,932</u>	<u>(559,932)</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>560,173</u>	<u>13,634</u>	<u>573,807</u>
<b>Expenses</b>			
Program services	400,454	-	400,454
Management and general	107,982	-	107,982
Development	<u>51,496</u>	<u>-</u>	<u>51,496</u>
<b>Total Expenses</b>	<u>559,932</u>	<u>-</u>	<u>559,932</u>
<b>Change in Net Assets</b>	241	13,634	13,875
<b>Net Assets, Beginning of Year</b>	<u>95,295</u>	<u>31,713</u>	<u>127,008</u>
<b>Net Assets, End of Year</b>	<u>\$ 95,536</u>	<u>\$ 45,347</u>	<u>\$ 140,883</u>

*See accompanying notes to financial statements.*

INNOVATE BIRMINGHAM

Statement of Functional Expenses  
For the Year Ended December 31, 2019

---

	<b>Program Services</b>	<b>Management and General</b>	<b>Development</b>	<b>Total</b>
Salaries and wages	\$ 214,817	\$ 61,376	\$ 30,688	\$ 306,882
Professional fees	88,117	25,177	12,588	125,882
Insurance	39,841	11,383	5,692	56,916
Advertising	35,204	-	-	35,204
Payroll taxes	17,697	5,056	2,528	25,281
Events	4,778	2,048	-	6,826
Dues and subscriptions	-	1,886	-	1,886
Miscellaneous	-	1,055	-	1,055
<b>Total Expenses</b>	<u>\$ 400,454</u>	<u>\$ 107,982</u>	<u>\$ 51,496</u>	<u>\$ 559,932</u>

See accompanying notes to financial statements.



**INNOVATE BIRMINGHAM**

**Statement of Cash Flows  
For the Year Ended December 31, 2019**

---

<b>Cash Flows From Operating Activities</b>	
Cash received from contributors and grantors	\$ 554,695
Cash received from other	241
Cash paid to suppliers and employees	<u>(559,280)</u>
<b>Net Cash (Used) by Operating Activities</b>	<u>(4,344)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(4,344)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>94,410</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 90,066</u>

*See accompanying notes to financial statements.*

**INNOVATE BIRMINGHAM**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

---

**Note 1 – Summary of Significant Accounting Policies**

Organization and Nature of Activities – Innovate Birmingham (the Organization) is a non-profit organization that was formed in 2016 following the award of the US Department of Labor's America's Promise grant led by the University of Alabama at Birmingham (UAB), a coalition of over 15 community partners and 30 employers came together to solve two problems: (1) meet the demand of an IT workforce growing at the second-fastest pace in the country; (2) harness the potential of under- and unemployed residents in Central Alabama. In 2020, the Organization formally changed its name from I AM Bham, Inc. to Innovate Birmingham.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent revenues and expenses related to the operation and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered without donor restrictions. Donor restricted contributions that are expended for their restricted purpose in the same accounting period as received may be recorded as without donor restrictions.

Net assets with donor restrictions represent resources available for use, but expendable only for the purposes specifically stated by the donor.

Government grants may be accounted for as unrestricted, exchange transactions. Income from these and other exchange transactions is deferred and recognized over the periods to which the revenue is related.

Grants Receivables – Grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants that are restricted by the donor may be reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Allowance for doubtful accounts - In the event that there are receivables, an allowance for doubtful accounts is maintained, as management deems applicable, in amounts estimated to provide adequate reserves to cover anticipated losses based on historical experience and periodic evaluation of accounts.

Donated services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills b performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

## INNOVATE BIRMINGHAM

### Notes to Financial Statements (continued) For the Year Ended December 31, 2019

---

#### Note 1 – Summary of Significant Accounting Policies (continued)

Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Advertising - Advertising and promotional costs are charged to expense as incurred.

Income Taxes – The Organization is a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Functional Expenses - Certain categories of expenses are attributable to more than one program or function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are certain salaries and benefits, which are allocated on the basis of estimates of time and effort; depreciation, supplies, office, and insurance, which are allocated based on estimates of usage.

Cash - Cash represents the Organization’s funds in one bank account, for the year ended December 31, 2019.

Recent Pronouncements - In February 2016, the Financial Accounting Standards Board (“FASB” or “the Board”) issued a new leasing standard in ASU 2016-02 (“Topic 842” or “the new standard”) for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (“ROU”) assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease’s classification. The provisions of this update are effective for fiscal years beginning after December 15, 2021. Management is evaluating the new accounting pronouncements and its applicability to the Organization.

#### Note 2 – Concentrations of Credit Risk

The Organization maintains one bank account. The bank account insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019, the Organization has no deposits in excess of limits insured by the Federal Deposit Insurance Corporation (FDIC).

The Organization partners with the University of Alabama at Birmingham (UAB) through the US Department of Labor’s America’s Promise grant to (1) meet the demand of an IT workforce growing at the second-fastest pace in the country; (2) harness the potential of under- and unemployed residents in Central Alabama. Accordingly, the Organization receives a substantial portion of its annual revenues from UAB to support these efforts. Because of the Organization’s dependence on the funds received by UAB, any circumstances which could affect its budget constraints, could also affect the Organization.

#### Note 3 – Grants Receivables

Grants receivables consist of the following:

University of Alabama at Birmingham	\$ <u>51,469</u>
-------------------------------------	------------------

All receivables are expected to be collected in the next year. As of December 31, 2019, no allowance for doubtful accounts was considered necessary.

## **INNOVATE BIRMINGHAM**

### **Notes to Financial Statements (continued) For the Year Ended December 31, 2019**

---

#### **Note 4 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for certain projects consistent with the established purposes of the Organization.

#### **Note 5 – Liquidity and Availability of Resources**

The Organization has \$141,535 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of \$90,066 in cash and \$51,469 in grants receivable. The amount financial assets are subject to donor or contractual restrictions that make them unavailable to general expenditures within one year of the statement of financial position is \$45,347. The grants receivables are subject to implied time restrictions but are expected to be collected within one year.

#### **Note 6 – Subsequent Events**

In April 2020, the Organization received loan proceeds in the amount of approximately \$81,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Act, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times of its average monthly payroll expenses. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during an elected period(s) as established in the PPP Loan Forgiveness Application. As of May 31, 2021, the loan has not been forgiven but management expects it will be forgiven in the near future.

Subsequent events were evaluated through March 31, 2021, which is the date the financial statements were available to be issued.