

Roads to Success, Inc.

Financial Statements

August 31, 2019 and 2018

Independent Auditors' Report

Board of Directors Roads to Success, Inc.

We have audited the accompanying financial statements of Roads to Success, Inc. (the "Organization"), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 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 from 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 auditors' 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 Roads to Success, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended August 31, 2019, Roads to Success, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

Harrison, New York
February 18, 2020

Roads to Success, Inc.

Statements of Financial Position

	August 31,	
	2019	2018
ASSETS		
Current Assets		
Cash	\$ 794,746	\$ 494,683
Grants and contracts receivable	630,250	125,404
Prepaid expenses	<u>26,988</u>	<u>25,132</u>
Total Current Assets	1,451,984	645,219
Property and equipment, net	6,089	13,424
Security deposits	<u>6,155</u>	<u>6,155</u>
	<u>\$ 1,464,228</u>	<u>\$ 664,798</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 46,816	\$ 45,578
Accrued payroll and payroll taxes	86,556	59,163
Refundable advances	350,000	-
Deferred revenue	<u>121,759</u>	<u>156,376</u>
Total Current Liabilities	<u>605,131</u>	<u>261,117</u>
Net Assets		
Without donor restrictions	793,097	403,681
With donor restrictions	<u>66,000</u>	<u>-</u>
Total Net Assets	<u>859,097</u>	<u>403,681</u>
	<u>\$ 1,464,228</u>	<u>\$ 664,798</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Activities
Year Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Government grants and contracts	\$ 1,755,366	\$ -	\$ 1,755,366
Contributions and grants	184,103	66,000	250,103
Program service fees	1,240,591	-	1,240,591
Program contracts	964,428	-	964,428
Other income	<u>2,787</u>	<u>-</u>	<u>2,787</u>
Total Revenue and Support	<u>4,147,275</u>	<u>66,000</u>	<u>4,213,275</u>
EXPENSES			
Program services	3,184,278	-	3,184,278
Management and general	420,710	-	420,710
Fundraising	<u>152,871</u>	<u>-</u>	<u>152,871</u>
Total Expenses	<u>3,757,859</u>	<u>-</u>	<u>3,757,859</u>
Change in Net Assets	389,416	66,000	455,416
NET ASSETS			
Beginning of year	<u>403,681</u>	<u>-</u>	<u>403,681</u>
End of year	<u>\$ 793,097</u>	<u>\$ 66,000</u>	<u>\$ 859,097</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Activities
Year Ended August 31, 2018

	<u>Without Donor Restrictions</u>
REVENUE AND SUPPORT	
Government grants and contracts	\$ 1,433,959
Contributions and grants	165,902
Program service fees	1,259,821
Program contracts	913,447
Other income	<u>5,842</u>
Total Revenue and Support	<u>3,778,971</u>
EXPENSES	
Program services	3,105,039
Management and general	331,733
Fundraising	<u>123,331</u>
Total Expenses	<u>3,560,103</u>
Change in Net Assets	218,868
NET ASSETS	
Beginning of year	<u>184,813</u>
End of year	<u>\$ 403,681</u>

Roads to Success, Inc.

Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,238,979	\$ 269,589	\$ 118,707	\$ 2,627,275
Payroll taxes and employee benefits	324,294	39,047	17,193	380,534
Professional fees	3,075	67,148	121	70,344
Supplies	107,828	12,983	5,717	126,528
Facility costs	41,601	4,790	2,109	48,500
Telephone	14,060	1,693	745	16,498
Payroll processing fees	19,544	2,353	1,036	22,933
Insurance	64,171	7,727	3,402	75,300
Food and snacks	33,001	-	2,543	35,544
Printing, copying, and postage	8,891	1,070	471	10,432
Credit card and processing fees	-	3,000	-	3,000
Staff development and appreciation	1,145	4,466	-	5,611
Software licenses	7,525	906	399	8,830
Travel	123,340	-	-	123,340
Enrichment and other programs	188,742	-	-	188,742
Depreciation	6,251	753	331	7,335
Miscellaneous	1,831	5,185	97	7,113
Total Expenses	<u>\$ 3,184,278</u>	<u>\$ 420,710</u>	<u>\$ 152,871</u>	<u>\$ 3,757,859</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Functional Expenses
Year Ended August 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,085,037	\$ 187,436	\$ 60,862	\$ 2,333,335
Payroll taxes and employee benefits	308,105	27,640	8,975	344,720
Professional fees	8,805	72,590	42,534	123,929
Supplies	118,068	10,615	3,447	132,130
Facility costs	42,425	3,757	1,220	47,402
Telephone	11,421	1,027	333	12,781
Payroll processing fees	33,116	2,977	967	37,060
Insurance	57,727	5,190	1,685	64,602
Food and snacks	30,049	-	2,421	32,470
Printing, copying, and postage	7,126	641	208	7,975
Credit card and processing fees	-	15,003	-	15,003
Staff development and appreciation	7,278	176	57	7,511
Software licenses	9,438	849	276	10,563
Travel	119,996	-	-	119,996
Enrichment and other programs	254,585	-	-	254,585
Depreciation	7,671	690	224	8,585
Miscellaneous	4,192	3,142	122	7,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,105,039</u>	<u>\$ 331,733</u>	<u>\$ 123,331</u>	<u>\$ 3,560,103</u>

See notes to financial statements

Roads to Success, Inc.

Statements of Cash Flows

	Year Ended August 31,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 455,416	\$ 218,868
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	7,335	8,585
Changes in operating assets and liabilities		
Grants and contracts receivable	(504,846)	72,460
Prepaid expenses	(1,856)	(5,444)
Accounts payable and accrued expenses	1,238	23,350
Accrued payroll and payroll taxes	27,393	29,135
Refundable advances	350,000	-
Deferred revenue	<u>(34,617)</u>	<u>78,003</u>
Net Cash from Operating Activities	300,063	424,957
CASH FLOWS FROM FINANCING ACTIVITY		
Purchases of property and equipment	<u>-</u>	<u>(11,548)</u>
Net Change in Cash	300,063	413,409
CASH		
Beginning of Year	<u>494,683</u>	<u>81,274</u>
End of Year	<u>\$ 794,746</u>	<u>\$ 494,683</u>

See notes to financial statements

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

1. Organization and Tax Status

Roads to Success, Inc., (the "Organization") is a not-for-profit organization incorporated under the laws of the State of New York on August 13, 2001. The Organization was established to provide enriching after school programs to children in New York's most underserved communities. The programs support children in their academic and emotional development and expose them to recreational activities and the arts in the after school hours. As of September 2005, the Organization began running parent pay programs, which are priced to be affordable to working families. Consistent with the Organization's philosophy, all fee based programs have financial aid opportunities.

The Organization developed and owns a college access and career development curriculum. This curriculum was used in schools and the Organization trained and dispatched trainers to work with Organizations who wanted to use the curriculum. This curriculum was also put online under a Creative Commons license making it free to anyone who wanted to use it.

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

On September 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for Profit Entities. This guidance requires the Organization to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses both by their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified to net assets without donor restrictions.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the Organization's operations. Net assets without donor restrictions may be used at the discretion of the Organization's management and the Board of Directors.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the Organization or to be used at a future date. The Organization records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization had no net assets with donor restrictions as of August 31, 2018.

Grants and Contracts Receivable

Grants to the Organization are recorded as revenue upon the receipt of an unconditional grant. Grants are considered available for unrestricted use, unless the donors restrict their use. Grants to be received after one year are discounted at an interest rate commensurate with the risk involved. Revenue is recognized based on the present value of the estimated future payments to be made to the Organization. Government contracts are recorded as receivables and revenue when expenditures are incurred and billable to the government agency. As of August 31, 2019 and 2018, no allowance for doubtful accounts has been deemed necessary.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,000 and a useful life in excess of one year. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets in which case it is expensed as incurred. Depreciation is recognized on the straight-line method over the estimated useful lives of such assets, which are 3 years for computers.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended August 31, 2019 and 2018.

Deferred Revenue

The Organization records program service fees as deferred revenue until services are provided, at which time it is recognized as revenue.

Refundable Advances

The Organization records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue. At August 31, 2019, the Organization had received an advance of \$350,000 from the NYC Department of Youth and Community Development.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Revenue and Support

Contributions and unconditional promises to give from donors are recorded as revenue in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Revenue from program service fees and contracts are recognized when services are provided. Donated securities are recorded at market value at the time of donation. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Any of the funding sources may, at its discretion, request reimbursement for expenses or return funds or both, as a result of non-compliance by the Organization, with the terms of the grants.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the Organization to be appropriate.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to August 31, 2016.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 18, 2020.

3. Grants and Contracts Receivable

Grants and contracts receivable consists of the following at August 31:

	<u>2019</u>	<u>2018</u>
NYC Department of Youth and Community Development	\$ 471,350	\$ 88,404
Private grants	<u>158,900</u>	<u>37,000</u>
	<u>\$ 630,250</u>	<u>\$ 125,404</u>

The Organization fully collected the outstanding balance of grants and contracts receivable at August 31, 2019 prior to the issuance of these financial statements.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

4. Property and Equipment

Property and equipment consists of the following at August 31:

	<u>2019</u>	<u>2018</u>
Computers	\$ 31,116	\$ 31,116
Accumulated depreciation	<u>(25,027)</u>	<u>(17,692)</u>
	<u>\$ 6,089</u>	<u>\$ 13,424</u>

5. Liquidity and Availability of Financial Assets

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 date, are comprised of the following at August 31, 2019:

Cash	\$ 794,746
Grants and contracts receivable	<u>630,250</u>
	1,424,996
Net assets with donor restrictions	<u>(66,000)</u>
	<u>\$ 1,358,996</u>

As part of the Organization's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other liquid instruments until it is required for operational use.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31, 2019:

Discover Program	\$ 50,000
Teacher's College Community School	<u>16,000</u>
	<u>\$ 66,000</u>

7. Employee Benefit Plan

The Organization maintains an employee benefit plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the Organization does not match employee contributions.

8. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of August 31, 2019 and 2018, approximately \$545,000 and \$245,000 of cash was maintained with an institution in excess of FDIC limits.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

9. Concentration of Revenue and Support

For the years ended August 31, 2019 and 2018, the Organization received approximately 42% and 38% of total revenue and support from The New York City Department of Youth and Community Development ("DYCD"). 67% and 70% of the grants and contracts receivable balance at August 31, 2019 and 2018, was due from DYCD.

10. Commitment

On July 1, 2017, the Organization renewed their lease with Hope Community, Inc. for office space under a non-cancelable lease expiring on June 30, 2020. Under the terms of the lease, the Organization paid a security deposit in the amount of \$5,000. Rent expense under this lease for the year ended August 31, 2019 and 2018 amounted to \$36,329 and \$35,346. The future minimum lease payments under the lease for the year ending August 31, 2020 is \$33,048.

11. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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