

**Roads to Success, Inc.**

Financial Statements

August 31, 2018 and 2017

## **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, 2018 and 2017, and the related statements of activities 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 the Organization as of August 31, 2018 and 2017, 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.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*PKF O'Connor Davies, LLP*

Harrison, New York  
February 14, 2019

## Roads to Success, Inc.

### Statements of Financial Position

	August 31,	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 494,683	\$ 81,274
Grants and contracts receivable	125,404	197,864
Prepaid expenses and other current assets	<u>25,132</u>	<u>19,688</u>
Total Current Assets	645,219	298,826
Property and equipment, net	13,424	10,461
Security deposits	<u>6,155</u>	<u>6,155</u>
	<u>\$ 664,798</u>	<u>\$ 315,442</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 45,578	\$ 22,228
Accrued payroll and payroll taxes	59,163	30,028
Deferred revenue	<u>156,376</u>	<u>78,373</u>
Total Current Liabilities	261,117	130,629
Net assets, unrestricted	<u>403,681</u>	<u>184,813</u>
	<u>\$ 664,798</u>	<u>\$ 315,442</u>

See notes to financial statements

**Roads to Success, Inc.**

Statements of Activities

	Year Ended August 31,	
	2018	2017
<b>REVENUE AND SUPPORT</b>		
Government grants and contracts	\$ 1,433,959	\$ 1,425,543
Contributions and grants	165,902	142,746
Program service fees	1,259,821	938,331
Program contracts	913,447	1,085,259
Other income	5,842	1,146
Total Revenue and Support	<u>3,778,971</u>	<u>3,593,025</u>
<b>EXPENSES</b>		
Program services	3,105,039	3,081,737
Management and general	331,733	260,829
Fundraising	<u>123,331</u>	<u>69,227</u>
Total Expenses	<u>3,560,103</u>	<u>3,411,793</u>
Change in Net Assets	218,868	181,232
<b>NET ASSETS, UNRESTRICTED</b>		
Beginning of year	<u>184,813</u>	<u>3,581</u>
End of year	<u>\$ 403,681</u>	<u>\$ 184,813</u>

See notes to financial statements

**Roads to Success, Inc.**

Statements of Cash Flows

	Year Ended August 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 218,868	\$ 181,232
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	8,585	4,925
Changes in operating assets and liabilities		
Grants and contracts receivable	72,460	20,267
Prepaid expenses and other current assets	(5,444)	(7,181)
Accounts payable and accrued expenses	23,350	(13,971)
Accrued payroll and payroll taxes	29,135	(7,648)
Refundable advances	-	(182,500)
Deferred revenue	78,003	71,485
Net Cash from Operating Activities	424,957	66,609
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Purchases of property and equipment	(11,548)	(8,220)
Net Change in Cash and Cash Equivalents	413,409	58,389
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of Year	81,274	22,885
End of Year	\$ 494,683	\$ 81,274

See notes to financial statements

## Roads to Success, Inc.

Notes to Financial Statements  
August 31, 2018 and 2017

### 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. These fee based programs 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 schools 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.

#### ***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:

*Unrestricted* - consist of resources available for the general support of the Organization's operations. Unrestricted net assets may be used at the discretion of the Organization's management and Board of Directors.

*Temporarily restricted* - represent amounts restricted by donors for specific activities of the Organization or to be used at some future date. The Organization records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period in which they were received, such amounts are reported as unrestricted net assets.

## **Roads to Success, Inc.**

Notes to Financial Statements  
August 31, 2018 and 2017

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

#### ***Net Asset Presentation (continued)***

*Permanently restricted* - consist of net assets that are subject to donor imposed restrictions that require the Organization to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The Organization had no temporarily or permanently restricted net assets at August 31, 2018 and 2017.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

#### ***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, 2018 and 2017, 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, 2018 and 2017.

## **Roads to Success, Inc.**

Notes to Financial Statements  
August 31, 2018 and 2017

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

#### ***Deferred Revenue***

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

#### ***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, 2015.

#### ***Prior Year Summarized Comparative Financial Information***

The financial statements include 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

#### ***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 14, 2019.

## Roads to Success, Inc.

Notes to Financial Statements  
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### 3. Grants and Contracts Receivable

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

	<u>2018</u>	<u>2017</u>
NYC Department of Youth and Community Development	\$ 88,404	\$ 147,864
Private grants	<u>37,000</u>	<u>50,000</u>
	<u>\$ 125,404</u>	<u>\$ 197,864</u>

The Organization collected the outstanding balance prior to the issuance of this report.

### 4. Property and Equipment

Property and equipment consists of the following at August 31:

	<u>2018</u>	<u>2017</u>
Computers	\$ 31,116	\$ 19,568
Accumulated depreciation	<u>(17,692)</u>	<u>(9,107)</u>
	<u>\$ 13,424</u>	<u>\$ 10,461</u>

### 5. 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.

### 6. 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, 2018 and 2017, approximately \$245,000 and \$0 of cash was maintained with an institution in excess of FDIC limits.

### 7. Concentration of Revenue and Support

For the years ended August 31, 2018 and 2017, the Organization received approximately 38% and 40% of total revenue and support from The New York City Department of Youth and Community Development ("DYCD"). 70% and 75% of the grants and contracts receivable balance at August 31, 2018 and 2017, was due from DYCD.

**Roads to Success, Inc.**

Notes to Financial Statements  
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**8. 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, 2018 and 2017 amounted to \$35,346 and \$33,974.

The future minimum lease payments under the lease is as follows for the years ending August 31:

2019	\$ 38,348
2020	<u>33,048</u>
	<u>\$ 71,396</u>

**9. 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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**Roads to Success, Inc.**

Supplementary Information  
August 31, 2018 and 2017

**Roads to Success, Inc.**

Schedule of Functional Expenses  
Year Ended August 31, 2018  
(with summarized totals for the year ended August 31, 2017)

	2018			2017	
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 2,085,037	\$ 187,436	\$ 60,862	\$ 2,333,335	\$ 2,251,682
Payroll taxes and employee benefits	308,105	27,640	8,975	344,720	331,079
Professional fees	8,805	72,590	42,534	123,929	69,414
Supplies	118,068	10,615	3,447	132,130	91,328
Facility costs	42,425	3,757	1,220	47,402	123,287
Telephone	11,421	1,027	333	12,781	11,358
Payroll processing fees	33,116	2,977	967	37,060	33,895
Insurance	57,727	5,190	1,685	64,602	70,727
Food and snacks	30,049	-	2,421	32,470	28,873
Printing, copying, and postage	7,126	641	208	7,975	6,162
Credit card and processing fees	-	15,003	-	15,003	2,666
Staff development and appreciation	7,278	176	57	7,511	6,522
Software licenses	9,438	849	276	10,563	-
Travel	119,996	-	-	119,996	132,464
Enrichment and other programs	254,585	-	-	254,585	243,362
Depreciation	7,671	690	224	8,585	4,925
Miscellaneous	4,192	3,142	122	7,456	4,049
<b>Total</b>	<b><u>\$ 3,105,039</u></b>	<b><u>\$ 331,733</u></b>	<b><u>\$ 123,331</u></b>	<b><u>\$ 3,560,103</u></b>	<b><u>\$ 3,411,793</u></b>

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