

Roads to Success, Inc.

Financial Statements

August 31, 2022 and 2021

Independent Auditors' Report

Board of Directors
Roads to Success, Inc.

Opinion

We have audited the accompanying financial statements of Roads to Success, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roads to Success, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Roads to Success, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Roads to Success, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roads to Success, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

Harrison, New York
May 8, 2023

Roads to Success, Inc.

Statements of Financial Position

	August 31,	
	2022	2021
ASSETS		
Current Assets		
Cash	\$ 939,255	\$ 870,269
Grants and contracts receivable	891,600	625,919
Prepaid expenses and other current assets	42,697	51,611
Total Current Assets	1,873,552	1,547,799
Property and equipment, net	9,778	22,816
Security deposits	6,155	6,155
	<u>\$ 1,889,485</u>	<u>\$ 1,576,770</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 91,419	\$ 134,415
Accrued payroll and payroll taxes	180,041	139,555
Refundable advances	897,843	212,673
Deferred revenue	54,702	22,009
Total Current Liabilities	1,224,005	508,652
Paycheck Protection Program loan payable	-	471,005
Total Liabilities	1,224,005	979,657
Net assets, without donor restrictions	665,480	597,113
	<u>\$ 1,889,485</u>	<u>\$ 1,576,770</u>

See notes to financial statements

Roads to Success, Inc.

Statements of Activities

	Year Ended August 31,	
	2022	2021
REVENUE AND SUPPORT		
Government grants and contracts	\$ 3,844,583	\$ 2,441,003
Contributions and grants	163,872	195,641
Program service fees	899,533	68,411
Program contracts	753,584	355,303
Other income	27,645	5,866
Total Revenue and Support	<u>5,689,217</u>	<u>3,066,224</u>
EXPENSES		
Program services	5,298,358	2,899,826
Management and general	657,985	670,119
Fundraising	<u>135,512</u>	<u>170,917</u>
Total Expenses	<u>6,091,855</u>	<u>3,740,862</u>
Gain on Forgiveness of Paycheck Protection Program loan	<u>471,005</u>	<u>696,705</u>
Change in Net Assets	68,367	22,067
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>597,113</u>	<u>575,046</u>
End of year	<u>\$ 665,480</u>	<u>\$ 597,113</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Functional Expenses
Year Ended August 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,893,508	\$ 454,594	\$ 103,800	\$ 4,451,902
Payroll taxes and employee benefits	539,480	62,988	14,381	616,849
Professional fees	20,457	81,777	6,745	108,979
Supplies	155,922	18,205	4,157	178,284
Facility costs	43,693	5,014	1,145	49,852
Telephone	35,558	4,152	948	40,658
Payroll processing fees	24,872	2,904	663	28,439
Insurance	60,993	7,121	1,626	69,740
Food and snacks	18,716	-	-	18,716
Printing, copying, and postage	4,560	532	122	5,214
Credit card and processing fees	-	3,891	-	3,891
Staff development and appreciation	12,734	4,672	-	17,406
Software licenses	23,923	2,793	637	27,353
Travel	140,485	-	-	140,485
Enrichment and other programs	312,054	-	-	312,054
Depreciation	11,403	1,331	304	13,038
Miscellaneous	-	8,011	984	8,995
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 5,298,358</u>	<u>\$ 657,985</u>	<u>\$ 135,512</u>	<u>\$ 6,091,855</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Functional Expenses
Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,954,465	\$ 422,181	\$ 123,536	\$ 2,500,182
Payroll taxes and employee benefits	306,689	66,247	19,385	392,321
Professional fees	177,933	65,344	7,481	250,758
Legal fees	-	30,501	-	30,501
Supplies	183,070	39,545	11,571	234,186
Facility costs	57,357	9,242	2,704	69,303
Telephone	20,269	4,378	1,281	25,928
Payroll processing fees	2,164	467	137	2,768
Insurance	26,345	5,691	1,664	33,700
Food and snacks	7,575	-	-	7,575
Printing, copying, and postage	4,747	1,025	300	6,072
Credit card and processing fees	-	4,188	-	4,188
Staff development and appreciation	2,620	459	-	3,079
Software licenses	32,876	7,102	2,078	42,056
Travel	17,287	-	-	17,287
Enrichment and other programs	94,150	-	-	94,150
Depreciation	10,694	2,310	676	13,680
Miscellaneous	1,585	11,439	104	13,128
Total Expenses	<u>\$ 2,899,826</u>	<u>\$ 670,119</u>	<u>\$ 170,917</u>	<u>\$ 3,740,862</u>

See notes to financial statements

Roads to Success, Inc.

Statements of Cash Flows

	Year Ended August 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 68,367	\$ 22,067
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	13,038	13,680
Gain on forgiveness of Paycheck Protection Program loan	(471,005)	(696,705)
Changes in operating assets and liabilities		
Grants and contracts receivable	(265,681)	(463,055)
Prepaid expenses and other current assets	8,914	(28,373)
Accounts payable and accrued expenses	(42,996)	73,700
Accrued payroll and payroll taxes	40,486	33,730
Refundable advances	685,170	212,673
Deferred revenue	32,693	(91,741)
Net Cash from Operating Activities	68,986	(924,024)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from Paycheck Protection Program loan	-	471,005
Net Change in Cash	68,986	(453,019)
CASH		
Beginning of Year	870,269	1,323,288
End of Year	\$ 939,255	\$ 870,269

See notes to financial statements

Roads to Success, Inc.

Notes to Financial Statements August 31, 2022 and 2021

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 other 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.

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.

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 reclassified 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, 2022 and 2021.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2022 and 2021

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

Grants and Contracts Receivable

Grants to the Organization are recorded as revenue upon the receipt of an unconditional grant. Grants are considered available for general 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, 2022 and 2021, management has assessed the need for an allowance and has determined that such an allowance is not 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. 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, 2022 and 2021.

Deferred Revenue

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

Refundable Advances

The Organization records certain government operating revenue and private grants as refundable advances until related services are performed, at which time they are recognized as revenue. Refundable advances consists of the following at August 31:

	2022	2021
NYC Department of Youth and Community Development	\$ 497,843	\$ 107,940
Office of Children and Family Services	400,000	29,733
Private grant	-	75,000
	<u>\$ 897,843</u>	<u>\$ 212,673</u>

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2022 and 2021

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 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, 2019.

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 May 8, 2023.

3. Grants and Contracts Receivable

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

	2022	2021
NYC Department of Youth and Community Development	\$ 881,760	\$ 595,319
Private grants and others	9,840	30,600
	<u>\$ 891,600</u>	<u>\$ 625,919</u>

The Organization collected approximately 75% of the outstanding balance of grants and contracts receivable at August 31, 2022 prior to the issuance of these financial statements.

Roads to Success, Inc.

Notes to Financial Statements August 31, 2022 and 2021

4. Property and Equipment

Property and equipment consists of the following at August 31:

	2022	2021
Computers	\$ 70,231	\$ 70,231
Accumulated depreciation	(60,453)	(47,415)
	<u>\$ 9,778</u>	<u>\$ 22,816</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 statements of financial position date, are comprised of the following at August 31:

	2022	2021
Cash	\$ 939,255	\$ 870,269
Grants and contracts receivable	891,600	625,919
Other current assets	11,566	14,543
	<u>\$ 1,842,421</u>	<u>\$ 1,510,731</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 money market accounts until it is required for operational use.

6. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. Investments including money market funds classified as cash equivalents are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation insurance ("SIPC"). The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At August 31, 2022 and 2021, approximately \$178,000 and \$292,000 of cash was maintained with institutions in excess of FDIC and SIPC limits.

7. Concentration of Revenue and Support

For the years ended August 31, 2022 and 2021, the Organization received approximately 55% and 65% of total revenue and support from The New York City Department of Youth and Community Development ("DYCD"). At August 31, 2022 and 2021, 99% and 95% of the grants and contracts receivable balance was due from DYCD.

Roads to Success, Inc.

Notes to Financial Statements August 31, 2022 and 2021

8. Commitment

On July 1, 2022, the Organization renewed their lease with Hope Community, Inc. for office space under a non-cancelable lease expiring on June 30, 2023. Under the terms of the initial lease, the Organization paid a security deposit in the amount of \$5,000. Rent expense under this lease for the years ended August 31, 2022 and 2021 amounted to \$37,233. The future minimum lease payments under the lease for the year ending August 31, 2023 is \$31,633.

9. Paycheck Protection Program Loan Payable

On April 6, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), from a qualified PPP lender, for an aggregate principal amount of \$696,705 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the Organization's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization applied for full forgiveness of the PPP Loan with respect to these covered expenses. On June 3, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$696,705 is included on the accompanying 2021 statement of activities under gain on forgiveness of Paycheck Protection Program loan.

On March 15, 2021, the Organization received loan proceeds in the amount of \$471,005 under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provides for loans to qualifying entities for amounts up to 2.5 times their 2019 or 2020 average monthly payroll expenses. The Second Draw PPP Loan bears an interest rate of 1% per annum. All or a portion of the Second Draw PPP Loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the Second Draw PPP Loan proceeds are received (the "Second Draw Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Second Draw Covered Period and does not qualify for certain safe harbors. The Organization applied for full forgiveness of the second draw PPP Loan with respect to these covered expenses. On June 8, 2022, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$471,005 is included on the accompanying 2022 statement of activities under gain on forgiveness of Paycheck Protection Program loan.

10. 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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