

Roads to Success, Inc.

Financial Statements

June 30, 2024

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 statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the ten month period 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 June 30, 2024, and the changes in its net assets and its cash flows for the ten month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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
March 5, 2025

Roads to Success, Inc.

Statement of Financial Position
June 30, 2024

ASSETS

Current Assets

Cash	\$ 221,669
Grants and contracts receivable	643,331
Accounts receivable	383,564
Prepaid expenses and other current assets	<u>70,936</u>
Total Current Assets	1,319,500

Property and equipment, net	73,715
Right of use asset - operating lease, net	41,939
Security deposits	<u>6,155</u>

\$ 1,441,309

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 277,525
Operating lease liability	39,121
Refundable advances	30,876
Deferred revenue	<u>52,315</u>
Total Current Liabilities	399,837

Operating lease liability, less current portion	<u>3,356</u>
Total Liabilities	403,193

Net Assets

Without donor restrictions	913,116
With donor restrictions	<u>125,000</u>
Total Net Assets	<u>1,038,116</u>

\$ 1,441,309

See notes to financial statements

Roads to Success, Inc.

Statement of Activities
Ten Month Period Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government grants and contracts	\$ 4,009,365	\$ -	\$ 4,009,365
Contributions and grants	275,437	225,000	500,437
Program service fees	851,329	-	851,329
Program contracts	1,032,735	-	1,032,735
Interest and other income	35,153	-	35,153
Net assets released from restrictions	100,000	(100,000)	-
Total Revenue and Support	<u>6,304,019</u>	<u>125,000</u>	<u>6,429,019</u>
EXPENSES			
Program services	5,075,758	-	5,075,758
Management and general	775,741	-	775,741
Fundraising	274,518	-	274,518
Total Expenses	<u>6,126,017</u>	<u>-</u>	<u>6,126,017</u>
 Change in Net Assets	 178,002	 125,000	 303,002
NET ASSETS			
Beginning of period	<u>735,114</u>	<u>-</u>	<u>735,114</u>
 End of period	 <u>\$ 913,116</u>	 <u>\$ 125,000</u>	 <u>\$ 1,038,116</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Functional Expenses Ten Month Period Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,133,400	\$ 416,514	\$ 107,584	\$ 3,657,498
Payroll taxes and employee benefits	498,417	66,253	17,113	581,783
Professional fees	46,620	166,229	46,780	259,629
Legal fees	-	4,643	-	4,643
Supplies	224,271	1,708	441	226,420
Facility expense	76,543	10,175	2,628	89,346
Telephone	34,763	4,621	1,194	40,578
Payroll processing fees	73,663	9,792	2,529	85,984
Insurance	122,453	16,277	4,204	142,934
Food and snacks	98,279	3,282	-	101,561
Printing, copying, and postage	11,295	1,501	388	13,184
Credit card and processing fees	-	1,854	-	1,854
Staff development and appreciation	108,951	17,557	-	126,508
Software licenses	37,827	5,028	1,299	44,154
Travel	220,547	-	-	220,547
Enrichment and other programs	380,560	-	-	380,560
Depreciation	8,169	1,086	281	9,536
Event expense	-	-	90,077	90,077
Advertising and marketing	-	33,126	-	33,126
Miscellaneous	-	16,095	-	16,095
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 5,075,758</u>	<u>\$ 775,741</u>	<u>\$ 274,518</u>	<u>\$ 6,126,017</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Cash Flows
Ten Month Period Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 303,002
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	9,536
Amortization of right of use asset - operating lease	30,776
Changes in operating assets and liabilities	
Grants and contracts receivable	904,723
Accounts receivable	(383,564)
Prepaid expenses and other current assets	(30,520)
Accounts payable and accrued expenses	(124,034)
Accrued payroll and payroll taxes	(48,568)
Operating lease liability	(30,287)
Refundable advances	(534,519)
Deferred revenue	(48,125)
Net Cash from Operating Activities	48,420

CASH FLOWS FROM INVESTING ACTIVITY

Purchases of property and equipment	(83,251)
Net Change in Cash	(34,831)

CASH

Beginning of Period	256,500
End of Period	\$ 221,669

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for amounts included in the measurement of lease liabilities	\$ 33,560
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Roads to Success, Inc.

Notes to Financial Statements

June 30, 2024

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.

Change of Fiscal Year End

The fiscal year end of the Organization was changed from August 31 to June 30 in 2024. Accordingly, the accompanying financial statements are prepared for the ten month period from September 1, 2023 to June 30, 2024.

Adoption of New Accounting Pronouncement

Credit Losses (Topic 326)

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an "expected loss" model for instruments measured at amortized cost.

Roads to Success, Inc.

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncement (continued)

Credit Losses (Topic 326) (continued)

Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on September 1, 2023, did not have a material effect on the Organization's financial statements.

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 statement of activities as net assets released from restrictions.

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 June 30, 2024, management has assessed the need for an allowance and has determined that such an allowance is not necessary.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable represents program service fees earned but not yet collected. As a result of adoption Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326), the Organization changed its methodology for assessment of collectability of accounts receivables. Prior to implementation of ASU 2016-13 the Organization applied an impairment model to collectability of accounts receivables.

Roads to Success, Inc.

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Credit Losses (continued)

Subsequent to implementation of ASU 2016-13 on September 1, 2023, the Organization assesses credit losses through a combination of write-off history, aging analysis and any specific known troubled accounts, with a methodology that reflects expected credit losses and requires the use of a forward-looking expected credit loss rate for its accounts receivable.

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. 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 year ended June 30, 2024.

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. Deferred revenue was \$100,440 at August 31, 2023.

Leases

The Organization accounts for leases under Accounting Standards Update No. 2016-02, *Leases*. The Organization determines if an arrangement is a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. All leases are recorded on the statement of financial position. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate, determined using a period comparable with that of the lease term, to discount future lease payments. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Organization's risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term within facility expense in the accompanying statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease. When it is reasonably certain that the Organization will exercise that option, such amounts are included in the ROU assets and lease liabilities.

Roads to Success, Inc.

Notes to Financial Statements

June 30, 2024

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

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. As of June 30, 2024, refundable advances in the amount of \$30,876 consist of the NYC Department of Education.

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. Government grants and contracts are recorded when expenditures are incurred and billable to the government agency.

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 such as salaries, payroll taxes and employee benefits, and supplies 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 June 30, 2021.

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 March 5, 2025.

Roads to Success, Inc.

Notes to Financial Statements

June 30, 2024

3. Grants and Contracts Receivable

Grants and contracts receivable consists of the following at June 30, 2024:

NYC Department of Education	\$ 553,749
NYC Department of Youth and Community Development	<u>89,582</u>
	<u>\$ 643,331</u>

The Organization collected approximately 87% of the outstanding balance of grants and contracts receivable at June 30, 2024 prior to the issuance of these financial statements.

4. Property and Equipment

Property and equipment consists of the following at June 30, 2024 :

Computers	\$ 153,482
Accumulated depreciation	<u>(79,767)</u>
	<u>\$ 73,715</u>

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2024:

Community School - 57 program	\$ 100,000
Discover college and workforce readiness program	<u>25,000</u>
	<u>\$ 125,000</u>

Net assets in the amount of \$100,000 was released from donor restrictions by satisfying the purpose specified by the donor for the Community School – 57 program.

6. 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 June 30, 2024:

Cash	\$ 221,669
Grants and contracts receivable	643,331
Accounts receivable	<u>383,564</u>
	<u>\$ 1,248,564</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. The Organization will continue to rely on funding received from government grants and contracts to cover future operating costs (see Note 8).

Roads to Success, Inc.

Notes to Financial Statements

June 30, 2024

7. 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. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2024, the Organization's cash balance was not in excess of FDIC limits.

8. Concentration of Revenue and Support

For the year ended June 30, 2024, the Organization received approximately 62% of total revenue and support from The New York City Department of Youth and Community Development ("DYCD"). At June 30, 2024, 86% of the grants and contracts receivable balance was due from New York City Department of Education.

9. Lease

On July 1, 2022, the Organization renewed their lease with Hope Community, Inc. for office space under a non-cancelable lease expiring on July 31, 2025. The existing lease was terminated on September 30, 2024 and the Organization signed a new lease on November 1, 2024 for a term of three years expiring May 30, 2027. The future minimum lease payments under this new lease is \$254,681. Under the terms of the initial lease, the Organization paid a security deposit in the amount of \$5,000.

ROU asset consist of the following at June 30, 2024:

ROU asset	\$ 75,725
Less: accumulated amortization	<u>(33,786)</u>
	<u>\$ 41,939</u>

Weighted average remaining lease term	1.08 years
Weighted average discount rate	4.92%

The future minimum lease payments under the facility lease are as follows for the years ending June 30:

2025	\$ 40,174
2026	<u>3,356</u>
Total minimum lease payments	43,530
Present value discount	<u>(1,053)</u>
Present value of lease liabilities	42,477
Current portion	<u>(39,121)</u>
Lease liabilities, less current portion	<u>\$ 3,356</u>

Roads to Success, Inc.

Notes to Financial Statements June 30, 2024

9. Lease (*continued*)

Facility expense under the lease for the year ended June 30, 2024 was \$32,865. The composition of lease expense for the year ended June 30, 2024 is as follows:

Operating lease cost	\$ 30,776
Short-term lease cost	<u>32,865</u>
	<u>\$ 63,641</u>

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.

From time to time and in the ordinary course of business, the Organization may be subject to various claims, charges, and litigation. In the opinion of management, final judgement from such pending claims, charges, and litigations, if any, against the Organization would not have a material adverse effect on the Organization's financial position, changes in net assets or cash flows.

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