

Roads to Success, Inc.

Financial Statements

August 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Roads to Success, Inc. adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of a right of use asset and related lease liability effective September 1, 2022. Our opinion is not modified with respect to that matter.

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 10, 2024

Roads to Success, Inc.

Statements of Financial Position

	August 31,	
	2023	2022
ASSETS		
Current Assets		
Cash	\$ 256,500	\$ 939,255
Grants and contracts receivable	1,548,054	891,600
Prepaid expenses and other current assets	40,416	42,697
Total Current Assets	1,844,970	1,873,552
Property and equipment, net	-	9,778
Right of use asset - operating lease, net	72,715	-
Security deposits	6,155	6,155
	\$ 1,923,840	\$ 1,889,485
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 401,559	\$ 91,419
Accrued payroll and payroll taxes	48,568	180,041
Operating lease liability	36,593	-
Refundable advances	565,395	897,843
Deferred revenue	100,440	54,702
Total Current Liabilities	1,152,555	1,224,005
Operating lease liability, less current portion	36,171	-
Total Liabilities	1,188,726	1,224,005
Net assets, without donor restrictions	735,114	665,480
	\$ 1,923,840	\$ 1,889,485

See notes to financial statements

Roads to Success, Inc.

Statements of Activities

	Year Ended August 31,	
	2023	2022
REVENUE AND SUPPORT		
Government grants and contracts	\$ 5,620,216	\$ 3,844,583
Contributions and grants	143,935	163,872
Program service fees	901,435	899,533
Program contracts	1,018,723	753,584
Other income	39,198	27,645
Total Revenue and Support	<u>7,723,507</u>	<u>5,689,217</u>
EXPENSES		
Program services	6,614,677	5,298,358
Management and general	872,633	657,985
Fundraising	166,563	135,512
Total Expenses	<u>7,653,873</u>	<u>6,091,855</u>
Gain on Forgiveness of Paycheck Protection Program loan	<u>-</u>	<u>471,005</u>
Change in Net Assets	69,634	68,367
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>665,480</u>	<u>597,113</u>
End of year	<u>\$ 735,114</u>	<u>\$ 665,480</u>

See notes to financial statements

Roads to Success, Inc.

Statement of Functional Expenses
Year Ended August 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 4,631,901	\$ 435,703	\$ 110,318	\$ 5,177,922
Payroll taxes and employee benefits	707,284	66,531	16,845	790,660
Professional fees	26,964	191,781	21,527	240,272
Legal fees	-	17,894	-	17,894
Supplies	303,092	28,511	7,219	338,822
Facility costs	51,482	4,843	1,226	57,551
Telephone	41,849	3,937	997	46,783
Payroll processing fees	60,488	5,690	1,441	67,619
Insurance	124,663	11,726	2,969	139,358
Food and snacks	69,275	-	-	69,275
Printing, copying, and postage	6,890	648	164	7,702
Credit card and processing fees	-	4,435	-	4,435
Staff development and appreciation	69,995	7,235	-	77,230
Software licenses	20,931	1,969	499	23,399
Travel	265,535	-	-	265,535
Enrichment and other programs	225,581	-	-	225,581
Depreciation	8,747	823	208	9,778
Miscellaneous	-	90,907	3,150	94,057
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 6,614,677</u>	<u>\$ 872,633</u>	<u>\$ 166,563</u>	<u>\$ 7,653,873</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
Total Expenses	\$ 5,298,358	\$ 657,985	\$ 135,512	\$ 6,091,855

See notes to financial statements

Roads to Success, Inc.

Statements of Cash Flows

	Year Ended August 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 69,634	\$ 68,367
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	9,778	13,038
Gain on forgiveness of Paycheck Protection Program loan	-	(471,005)
Amortization of right of use asset - operating lease	3,010	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(656,454)	(265,681)
Prepaid expenses and other current assets	2,281	8,914
Accounts payable and accrued expenses	310,140	(42,996)
Accrued payroll and payroll taxes	(131,473)	40,486
Operating lease liability	(2,961)	-
Refundable advances	(332,448)	685,170
Deferred revenue	45,738	32,693
Net Cash from Operating Activities	(682,755)	68,986
CASH		
Beginning of Year	939,255	870,269
End of Year	\$ 256,500	\$ 939,255
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of lease liabilities	\$ 39,196	\$ -

See notes to financial statements

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2023 and 2022

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.

Adoption of New Accounting Policies

Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2023 and 2022

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

Adoption of New Accounting Policies (continued)

Leases (Topic 842) (continued)

The Organization adopted the requirements of the new standard effective September 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The Organization adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment.

Accordingly, the Organization will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. As a result of the adoption of the new lease accounting guidance on September 1, 2022, the Organization recognized a lease liability of \$72,467 that represents the present value of the operating lease payments of \$79,370 discounted with a risk-free interest rate using the treasury bond rate for 2 years of 4.92% and a right of use (“ROU”) asset of \$72,467. The standard did not materially impact the statements of activities and cash flows.

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, 2023 and 2022.

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, 2023 and 2022, management has assessed the need for an allowance and has determined that such an allowance is not necessary.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2023 and 2022

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

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, 2023 and 2022.

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 \$22,009 at September 1, 2021.

Leases

The Organization accounts for leases under ASU 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 statements of financial position. All leases are recorded on the statements 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 statements 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
August 31, 2023 and 2022

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. Refundable advances consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
NYC Department of Youth and Community Development	\$ 565,395	\$ 497,843
Office of Children and Family Services	-	400,000
	<u>\$ 565,395</u>	<u>\$ 897,843</u>

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 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 August 31, 2020.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2023 and 2022

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

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 10, 2024.

3. Grants and Contracts Receivable

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

	<u>2023</u>	<u>2022</u>
Department of Education	\$ 350,909	\$ 94,142
NYC Department of Youth and Community Development	1,197,145	787,618
Private grants and others	-	9,840
	<u>\$ 1,548,054</u>	<u>\$ 891,600</u>

The Organization collected approximately 76% of the outstanding balance of grants and contracts receivable at August 31, 2023 prior to the issuance of these financial statements.

4. Property and Equipment

Property and equipment consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
Computers	\$ 70,231	\$ 70,231
Accumulated depreciation	(70,231)	(60,453)
	<u>\$ -</u>	<u>\$ 9,778</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:

	<u>2023</u>	<u>2022</u>
Cash	\$ 256,500	\$ 939,255
Grants and contracts receivable	1,548,054	891,600
Other current assets	-	11,566
	<u>\$ 1,804,554</u>	<u>\$ 1,842,421</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.

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2023 and 2022

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. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At August 31, 2023 and 2022, approximately \$0 and \$178,000 of cash was maintained with institutions in excess of FDIC limits.

7. Concentration of Revenue and Support

For the years ended August 31, 2023 and 2022, the Organization received approximately 63% and 55% of total revenue and support from The New York City Department of Youth and Community Development ("DYCD"). At August 31, 2023 and 2022, 100% and 99% of the grants and contracts receivable balance was due from DYCD.

8. Leases

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. 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 August 31, 2023:

ROU asset	\$ 75,725
Less: accumulated amortization	<u>(3,010)</u>
	<u>\$ 72,715</u>
Weighted average remaining lease term	1.92 years
Weighted average discount rate	4.92%

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

2024	\$ 39,196
2025	<u>36,916</u>
Total minimum lease payments	76,112
Present value discount	<u>(3,348)</u>
Present value of lease liabilities	72,764
Current portion	<u>(36,593)</u>
Lease liabilities, less current portion	<u>\$ 36,171</u>

Roads to Success, Inc.

Notes to Financial Statements
August 31, 2023 and 2022

8. Leases (continued)

Facility expense under the lease for the years ended August 31, 2023 and 2022 was \$37,282 and \$37,233. The composition of lease expense for the year ended August 31, 2023 is as follows:

Operating lease cost	\$ 3,010
Short-term lease cost	<u>37,282</u>
	<u>\$ 40,292</u>

10. Paycheck Protection Program Loan Payable

On March 15, 2021, the Organization received loan proceeds in the amount of \$471,005 under Second Draw provisions of the Paycheck Protection Program (“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 Coronavirus Aid, Relief, and Economic Security 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 Small Business Administration. The loan forgiveness of \$471,005 is included on the accompanying 2022 statement of activities under gain on forgiveness of Paycheck Protection Program loan.

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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