

# **Back on My Feet**

**Financial Statements  
December 31, 2014 and 2013**

**Kreischer  
Miller**

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**Back on My Feet**  
**December 31, 2014 and 2013**

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INDEPENDENT AUDITORS' REPORT

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## Independent Auditors' Report

The Board of Directors  
Back on My Feet  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Back on My Feet, which comprise the statements of financial position as of December 31, 2014 and 2013, 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 auditors consider 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 Back on My Feet as of December 31, 2014 and 2013, 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.

### *Other Matters*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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 audits 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.

A handwritten signature in cursive script that reads "Kreischer Miller".

## Back on My Feet

### Statements of Financial Position December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 799,577	\$ 766,984
Contributions receivable, net	1,192,693	1,219,326
Inventory	96,887	112,199
Prepaid expenses	39,235	24,861
Total current assets	2,128,392	2,123,370
Security deposits	29,095	21,693
Property and equipment, net	104,804	141,196
	<u>\$ 2,262,291</u>	<u>\$ 2,286,259</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accrued payroll and payroll taxes	\$ 160,278	\$ 132,008
Accounts payable	64,357	141,000
Accrued expenses	34,302	39,817
	<u>258,937</u>	<u>312,825</u>
Net assets:		
Unrestricted	582,860	1,072,741
Temporarily restricted	1,420,494	900,693
Total net assets	<u>2,003,354</u>	<u>1,973,434</u>
	<u>\$ 2,262,291</u>	<u>\$ 2,286,259</u>

See accompanying notes to financial statements.

## Back on My Feet

### Statements of Activities Years Ended December 31, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Corporate contributions	\$ 872,672	\$ 981,820	\$ 1,854,492
Individual and foundation contributions	63,951	994,124	1,058,075
Event revenue	1,122,305	739,951	1,862,256
United Way	-	77,024	77,024
Gross profit on sales	2,671	-	2,671
Gain on sale of property and equipment	19,379	-	19,379
Contributed goods and services	787,400	-	787,400
Interest income	2,390	-	2,390
Miscellaneous income	33,562	-	33,562
Net assets released from restrictions:			
Satisfaction of program restrictions	2,273,118	(2,273,118)	-
Total support and revenue	5,177,448	519,801	5,697,249
Expenses:			
Program services	3,293,459	-	3,293,459
Cost of direct benefits to donors	666,607	-	666,607
Management and general	487,000	-	487,000
Fundraising	1,220,263	-	1,220,263
Total expenses	5,667,329	-	5,667,329
Change in net assets	(489,881)	519,801	29,920
Net assets at beginning of year	1,072,741	900,693	1,973,434
Net assets at end of year	\$ 582,860	\$ 1,420,494	\$ 2,003,354

See accompanying notes to financial statements.

2013		
Unrestricted	Temporarily Restricted	Total
\$ 1,322,981	\$ 698,301	\$ 2,021,282
329,777	804,077	1,133,854
1,030,088	466,081	1,496,169
-	86,402	86,402
4,912	-	4,912
-	-	-
900,519	-	900,519
2,224	-	2,224
-	-	-
1,958,803	(1,958,803)	-
5,549,304	96,058	5,645,362
3,520,251	-	3,520,251
732,805	-	732,805
358,297	-	358,297
1,327,985	-	1,327,985
5,939,338	-	5,939,338
(390,034)	96,058	(293,976)
1,462,775	804,635	2,267,410
\$ 1,072,741	\$ 900,693	\$ 1,973,434

## Back on My Feet

### Statements of Cash Flows Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 29,920	\$ (293,976)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,956	39,392
Gain on sale of property and equipment	(19,379)	-
Bad debt expense	58,152	161,875
(Increase) decrease in operating assets:		
Contributions receivable	(31,519)	(295,185)
Inventory	15,312	(41,594)
Prepaid expenses	(14,374)	5,242
Security deposits	(7,402)	(4,700)
Increase (decrease) in operating liabilities:		
Accrued payroll and payroll taxes	28,270	(47,901)
Accounts payable	(76,643)	96,969
Accrued expenses	(5,515)	20,717
Net cash provided by (used in) operating activities	<u>21,778</u>	<u>(359,161)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(14,490)	(111,935)
Proceeds from sale of property and equipment	25,305	-
Net cash provided by (used in) operating activities	<u>10,815</u>	<u>(111,935)</u>
Net increase (decrease) in cash and cash equivalents	32,593	(471,096)
Cash and cash equivalents at the beginning of year	766,984	1,238,080
Cash and cash equivalents at the end of year	<u>\$ 799,577</u>	<u>\$ 766,984</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 13,833</u>	<u>\$ -</u>

See accompanying notes to financial statements.



## Back on My Feet

Notes to Financial Statements  
December 31, 2014 and 2013

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### (1) Nature of Organization

Back on My Feet (the Organization) was incorporated on January 4, 2008 under the laws of the Commonwealth of Pennsylvania as a non-profit corporation and began operations on August 8, 2008. The Organization is a national nonprofit that uses running to help those experiencing homelessness change the way they see themselves so they can make real change in their lives that results in employment and independent living. The Organization's mission is not to create runners within the homeless population, but to use running to create self-sufficiency in the lives of those experiencing homelessness. The program's success is measured by how many members achieve independence through employment and housing. Through dedication and hard work, residential members (those experiencing homelessness) earn the opportunity to create a new road for themselves. Running leads to personal transformation and dedication to the program leads to access to training, employment and housing resources. Through community and corporate support, the program strives to change the perception of homelessness.

As of December 31, 2014, the Organization has chapters in Philadelphia, Baltimore, Washington D.C., Boston, Chicago, Dallas, Indianapolis, Atlanta, New York City, Austin and Los Angeles. The Organization is governed by a volunteer Board of Directors and receives the majority of its revenues from contributions, event income, and grants.

### (2) Summary of Significant Accounting Policies

#### *Basis of Accounting*

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not for Profit Organizations. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

#### *Basis of Presentation*

The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

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## Back on My Feet

### Notes to Financial Statements December 31, 2014 and 2013

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#### (2) Summary of Significant Accounting Policies, Continued

##### *Basis of Presentation, Continued*

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity. The Organization does not have any permanently restricted net assets.

##### *Reclassification*

Certain items in the accompanying 2013 financial statements have been reclassified to conform to the current year presentation.

##### *Income Taxes*

The Organization meets the requirements of Section 509(a)(1) of the Internal Revenue Code (IRC) and is exempt from federal income taxes under Section 501(c)(3). Donors may deduct contributions to the Organization in accordance with the provisions of Section 170 of the IRC.

The Organization files Federal Form 990. With few exceptions, the Organization is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for the years before 2011. It is difficult to predict the final timing and resolution of any particular uncertain tax position. The Organization does not currently anticipate significant changes in its uncertain tax positions over the next 12 months.

##### *Cash and Cash Equivalents*

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

##### *Contributions Receivable*

Contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for uncollectable receivables using the allowance method, which is based on management's judgment concerning historical collectability. Past due amounts are individually analyzed for collectability and written off when all efforts at collection have been exhausted.

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**Notes to Financial Statements  
December 31, 2014 and 2013**

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**(2) Summary of Significant Accounting Policies, Continued**

*Inventory*

Inventory is stated at average cost as determined at the time of purchase or donation and consists of clothing, running shoes, and gear. The Organization has two categories of inventory:

*Merchandise* – Inventory that is sold to the public or given away to fundraisers.

*Gear* – Inventory that is provided to Residential Members.

*Property and Equipment*

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the date of the gift. Ordinary repairs and maintenance are expensed as incurred. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Computers, software, and website development	3 years
Equipment, furniture and fixtures, and vehicles	5 years

*Restricted and Unrestricted Revenue*

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Contributed Goods and Services*

Contributed goods, which would have otherwise been purchased, have been valued at fair value.

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributed services are reflected in the accompanying statements at their estimated fair value at the date provided.

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## Back on My Feet

### Notes to Financial Statements December 31, 2014 and 2013

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#### (2) Summary of Significant Accounting Policies, Continued

##### *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets to liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### *Subsequent Events*

The Organization has performed an evaluation of subsequent events through April 21, 2015, which is the date the financial statements were available to be issued.

#### (3) Concentration of Credit Risk

The Organization maintains interest-bearing cash balances in multiple financial institutions and, at times, balances may exceed federally insured limits.

#### (4) Contributions Receivable

Contributions receivable, net consists of the following at December 31:

	2014	2013
Receivable in less than one year	\$ 1,242,693	\$ 1,359,326
Allowance for doubtful accounts	(50,000)	(140,000)
Contributions receivable, net	<u>\$ 1,192,693</u>	<u>\$ 1,219,326</u>

Bad debt expense for the years ended December 31, 2014 and 2013 was \$58,152 and \$161,875, respectively.

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### Notes to Financial Statements December 31, 2014 and 2013

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#### (5) Inventory

Inventory consists of the following at December 31:

	2014	2013
Merchandise for resale	\$ 32,580	\$ 40,752
Gear for program participants	64,307	71,447
	<u>\$ 96,887</u>	<u>\$ 112,199</u>

#### (6) Property and Equipment

Property and equipment consist of the following at December 31:

	2014	2013
Computers and software	\$ 48,623	\$ 36,343
Furniture and fixtures	5,815	13,717
Website	76,000	76,000
CRM system	66,724	-
Construction-in-progress	-	66,724
	<u>197,162</u>	<u>192,784</u>
Accumulated depreciation	<u>(92,358)</u>	<u>(51,588)</u>
	<u>\$ 104,804</u>	<u>\$ 141,196</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$14,062 and \$14,059, respectively. Amortization expense for the years ended December 31, 2014 and 2013 was \$30,894 and \$25,333, respectively.

#### (7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or programs at December 31:

	2014	2013
Purpose restrictions	\$ 1,268,284	\$ 588,000
Geographic restrictions	152,210	312,693
	<u>\$ 1,420,494</u>	<u>\$ 900,693</u>

Purpose restricted net assets include grants awarded to programmatic utilization. Geographic restricted net assets include donations solicited for a specific local chapter.

## Back on My Feet

### Notes to Financial Statements December 31, 2014 and 2013

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#### (8) Donor Imposed Restrictions

Net assets are released from donor restrictions by incurring expenses, satisfying the restricted purposes specified by the donors or by the passage of time. Net assets were released as follows for the years ended December 31:

	2014	2013
Purpose restrictions accomplished	\$ 668,632	\$ 495,450
Geographic restrictions met	1,604,486	1,463,353
	<u>\$ 2,273,118</u>	<u>\$ 1,958,803</u>

#### (9) Gross Profit on Sales

The value of gross profit on sales for the years ended December 31, are as follows:

	2014	2013
Sales of merchandise	\$ 17,060	\$ 25,707
Cost of goods sold	(14,389)	(20,795)
	<u>\$ 2,671</u>	<u>\$ 4,912</u>

#### (10) Contributed Goods and Services

The following is a summary of contributed goods and services for the years ended December 31:

	2014	2013
Event expenses	\$ 399,537	\$ 475,292
Program gear	120,376	238,056
Occupancy and other rent expenses	63,501	73,912
Professional fees, legal services	61,769	68,298
Race expenses	43,490	30,068
Other program expenses	32,209	14,050
Transportation, travel and lodging	32,518	-
Professional fees, tech support	3,750	-
Advertising	30,000	-
Other expenses	250	843
	<u>\$ 787,400</u>	<u>\$ 900,519</u>

*Continued...*

## Back on My Feet

### Notes to Financial Statements December 31, 2014 and 2013

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#### (10) Contributed Goods and Services, Continued

The Organization is fortunate enough to have had a substantial number of volunteers donate significant amounts of time to support the Organization's program and other professional activities during 2014. No amounts have been reflected in the accompanying financial statements since the cost of these services does not meet the criteria for recognition.

#### (11) Retirement Plan

The Organization instituted a Simple IRA plan effective April 15, 2011. The Organization contributes the lesser of 3% of the gross salary or \$11,500 for all eligible employees. An employee who earned at least \$5,000 during any two preceding years and who is expected to earn \$5,000 in the coming year is eligible. For the years ended December 31, 2014 and 2013, contributions to the plan amounted to \$20,195 and \$6,372, respectively.

#### (12) Operating Leases

The Organization has several non-cancelable lease agreements for office space located in various cities that expire on various dates through December 31, 2017. Minimum future rentals payable under these leases are:

Years Ending December 31,	Amount
2015	\$ 100,472
2016	87,633
2017	85,428
	<u>\$ 273,533</u>

Rent expense for the years ended December 31, 2014 and 2013 was \$214,950 and \$212,661, respectively.

#### (13) Related Parties

The Organization's Board of Directors includes volunteers from the business community who provide valuable assistance to the Organization. During the years ended December 31, 2014 and 2013, the Organization contracted to receive services from various companies in which Board members are employed.

There have been no excess benefits to Board members or management as a result of these relationships, the services were consummated on competitive business terms.

## Back on My Feet

### Notes to Financial Statements December 31, 2014 and 2013

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#### (14) Line of Credit

On March 6, 2013, the Organization signed a \$250,000 Revolving Line of Credit Agreement with a bank subject to variable interest with a floor of 5.0%. The line was collateralized by all inventory and equipment of the Organization. The line expired February 1, 2014.

In 2015, the Organization signed a \$200,000 Revolving Line of Credit Agreement with a bank and shall be subject to a fixed interest rate of 2.49% for twelve months. After twelve months, the Revolving Line of Credit Agreement will be subject to variable interest with a floor of 3.5%. The line is collateralized by all accounts receivables, inventory and equipment of the Organization.



## SUPPLEMENTARY INFORMATION

## Back on My Feet

## Supplementary Information

## Schedule of Functional Expenses

Year Ended December 31, 2014 (with Comparative Totals for December 31, 2013)

	2014					2013
	Program Services	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,791,608	\$ -	\$ 264,270	\$ 581,225	\$ 2,637,103	\$ 2,501,903
Employee benefits	133,892	-	9,686	36,910	180,488	122,866
Payroll taxes	145,822	-	22,092	50,703	218,617	209,382
<b>Total salaries and related expenses</b>	<b>2,071,322</b>	<b>-</b>	<b>296,048</b>	<b>668,838</b>	<b>3,036,208</b>	<b>2,834,151</b>
Event expenses	81,618	666,607	-	82,642	830,867	921,699
Online processing fees	3,852	-	37	84,380	88,269	72,045
Interest	-	-	13,833	-	13,833	-
Insurance	27,279	-	2,149	3,223	32,651	39,277
Bad debt expense	-	-	-	58,152	58,152	161,875
Miscellaneous	26,779	-	7,852	21,002	55,633	46,692
Occupancy and other rent expenses	173,368	-	30,245	49,399	253,012	225,346
Other direct program expenses	98,207	-	-	-	98,207	118,722
Postage and shipping	7,607	-	2,649	156	10,412	11,990
Printed materials	10,949	-	2,083	4,435	17,467	20,128
Professional fees	202,904	-	106,640	110,891	420,435	462,122
Program gear expense	177,213	-	-	-	177,213	281,135
Program financial aid and incentives	218,692	-	-	-	218,692	327,581
Race expenses	78,615	-	-	80,138	158,753	148,683
Supplies	13,679	-	697	4,740	19,116	20,139
Telecommunications	24,542	-	1,503	3,753	29,798	41,645
Transportation, travel and lodging	62,594	-	5,469	35,592	103,655	166,716
Depreciation and amortization	14,239	-	17,795	12,922	44,956	39,392
<b>Total expenses</b>	<b>\$ 3,293,459</b>	<b>\$ 666,607</b>	<b>\$ 487,000</b>	<b>\$ 1,220,263</b>	<b>\$ 5,667,329</b>	<b>\$ 5,939,338</b>
Percentage to total expenses	58%	12%	9%	21%	100%	100%