Back on My Feet

Financial Statements

December 31, 2016 and 2015

Kreischer Miller

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Back on My Feet
December 31, 2016 and 2015
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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, 2016 and 2015, 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.

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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, 2016 and 2015, 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.

Kreischer Miller

Horsham, Pennsylvania
May 10, 2017

Back on My Feet

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 889,481	$ 894,327
Contributions receivable, net	1,749,246	1,211,087
Inventory	66,669	79,363
Prepaid expenses	44,339	50,872
Total current assets	2,749,735	2,235,649
Long-term contributions receivable, net	75,000	215,800
Security deposits	20,405	22,308
Property and equipment, net	65,988	69,655
	$ 2,911,128	$ 2,543,412
LIABILITIES AND NET ASSETS		
Accrued payroll and payroll taxes	$ 235,239	$ 172,366
Accounts payable	50,243	92,183
Accrued expenses	40,033	43,999
	325,515	308,548
Net assets:		
Unrestricted	593,117	564,511
Temporarily restricted	1,992,496	1,670,353
Total net assets	2,585,613	2,234,864
	$ 2,911,128	$ 2,543,412

See accompanying notes to financial statements.

Statements of Activities
Years Ended December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Corporate contributions	$ 1,359,954	$ 745,231	$ 2,105,185
Individual and foundation contributions	874,663	564,327	1,438,990
Event revenue	1,295,955	742,050	2,038,005
United Way	-	51,528	51,528
Gross profit on sales	2,977	-	2,977
Contributed goods and services	1,345,997	-	1,345,997
Interest income	1,792	-	1,792
Miscellaneous income	1,581	-	1,581
Net assets released from restrictions:			
Satisfaction of program restrictions	1,780,993	(1,780,993)	-
Total support and revenue	6,663,912	322,143	6,986,055
Expenses:			
Program services	3,582,844	-	3,582,844
Cost of direct benefits to donors	1,081,994	-	1,081,994
Management and general	356,595	-	356,595
Fundraising	1,613,873	-	1,613,873
Total expenses	6,635,306	-	6,635,306
Change in net assets	28,606	322,143	350,749
Net assets at beginning of year	564,511	1,670,353	2,234,864
Net assets at end of year	$ 593,117	$ 1,992,496	$ 2,585,613

See accompanying notes to financial statements.

2015		
Unrestricted	Temporarily Restricted	Total
$ 1,660,297	$ 539,940	$ 2,200,237
690,579	313,480	1,004,059
1,368,679	572,437	1,941,116
-	54,173	54,173
3,440	-	3,440
897,897	-	897,897
2,228	-	2,228
12,049	-	12,049
1,230,171	(1,230,171)	-
5,865,340	249,859	6,115,199
3,192,661	-	3,192,661
964,197	-	964,197
329,936	-	329,936
1,396,895	-	1,396,895
5,883,689	-	5,883,689
(18,349)	249,859	231,510
582,860	1,420,494	2,003,354
$ 564,511	$ 1,670,353	$ 2,234,864

Back on My Feet

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 350,749	$ 231,510
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,524	50,203
Bad debt expense	138,700	152,310
(Increase) decrease in operating assets:		
Contributions receivable	(536,059)	(386,504)
Inventory	12,694	17,524
Prepaid expenses	6,533	(11,637)
Security deposits	1,903	6,787
Increase (decrease) in operating liabilities:		
Accrued payroll and payroll taxes	62,873	12,088
Accounts payable	(41,940)	27,826
Accrued expenses	(3,966)	9,697
Net cash provided by operating activities	19,011	109,804
Cash flows from investing activity:		
Purchase of property and equipment	(23,857)	(15,054)
Net increase (decrease) in cash and cash equivalents	(4,846)	94,750
Cash and cash equivalents at the beginning of year	894,327	799,577
Cash and cash equivalents at the end of year	$ 889,481	$ 894,327
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ -	$ 178

See accompanying notes to financial statements.

(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 non-profit that combats homelessness through the power of running, community support, and essential employment and housing resources. The Organization seeks to revolutionize the way our society approaches homelessness. Its unique running-based model demonstrates that if you first restore confidence, strength, and self-esteem, individuals are better equipped to tackle the road ahead and move toward jobs, homes, and new lives. For all in need, it aims to provide: practical training and employment resources for achieving independence; an environment that promotes accountability; and a community that offers compassion and hope. For all with the capacity to serve-volunteers, donors, community and corporate partners-it seeks to engage them in the profound experience of empowering individuals to achieve what once seemed impossible through the seemingly simple act of putting one foot in front of the other.

As of December 31, 2016, the Organization has chapters in Philadelphia, Baltimore, Washington D.C., Boston, Chicago, Dallas, Indianapolis, Atlanta, New York City, Austin, Los Angeles and San Francisco. 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.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

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.

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.

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 2013. 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.

Continued...

(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, including restrictions that are met in the year of receipt.

Contributed Goods and Services

Contributed goods, which would have otherwise been purchased, are recorded 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.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash and cash equivalents and contributions receivable. The Organization maintains interest-bearing cash balances in multiple financial institutions and, at times, such cash balances may be in excess of the FDIC insurance limits.

Concentrations of credit risk with respect to contributions receivable are limited due to the composition of the Organization's contributor base. Management assesses the financial strength of its unconditional contributions receivable based on prior history and experience with its donor and grantor agencies. One donor represented 19% of net contributions receivable at December 31, 2016.

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 May 10, 2017, which is the date the financial statements were available to be issued.

(3) Contributions Receivable

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

	2016	2015
Receivable in less than one year	$ 1,849,728	$ 1,296,087
Receivable in one to five years	75,000	215,800
Total contributions receivable	1,924,728	1,511,887
Allowance for doubtful accounts	(100,482)	(85,000)
Contributions receivable, net	$ 1,824,246	$ 1,426,887

Bad debt expense for the years ended December 31, 2016 and 2015 was $138,700 and $152,310, respectively.

(4) Inventory

Inventory consists of the following at December 31:

	2016	2015
Merchandise for resale	$ 19,970	$ 25,744
Gear for program participants	46,699	53,619
	$ 66,669	$ 79,363

(5) Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Computers and software	$ 87,535	$ 63,677
Furniture and fixtures	5,815	5,815
Website	142,724	142,724
	236,074	212,216
Accumulated depreciation	(170,086)	(142,561)
	$ 65,988	$ 69,655

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was $27,524 and $50,203, respectively.

(6) Temporarily Restricted Net Assets

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

	2016	2015
Events	$ 788,401	$ 1,100,153
Program services	272,963	305,034
Fundraising	283,050	190,516
Time restricted contributions	648,082	74,650
	$ 1,992,496	$ 1,670,353

(7) Gross Profit on Sales

Gross profit on sales for the years ended December 31, is as follows:

	2016	2015
Sales of merchandise	$ 8,751	$ 10,276
Cost of goods sold	(5,774)	(6,836)
	$ 2,977	$ 3,440

(8) Contributed Goods and Services

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

	2016	2015
Advertising	$ 52,215	$ -
Event expenses	588,382	487,546
Occupancy and other rent expenses	37,240	56,588
Other expenses	1,807	6,056
Other program expenses	31,928	6,946
Professional fees, legal services	147,706	188,326
Professional fees, tech support	-	800
Professional fees, recruiting services	150,000	-
Program gear	278,629	78,315
Race expenses	50,836	57,262
Transportation, travel and lodging	7,254	16,058
	$ 1,345,997	$ 897,897

Continued...

(8) 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 activities during 2016 and 2015. The value of the contributed time is not reflected in the accompanying financial statements because the cost of those services does not meet the criteria for recognition.

(9) Retirement Plan

The Organization instituted a Simple IRA plan effective April 15, 2011. The Organization matches pre-tax deferrals made by employees on a dollar-for-dollar basis up to 3% of compensation. An employee who earned at least $5,000 during the preceding year and who is expected to earn $5,000 in the coming year is eligible. For the years ended December 31, 2016 and 2015, contributions to the plan amounted to $34,632 and $25,884, respectively.

(10) 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, 2020. Minimum future rentals payable under these leases are:

Years Ending December 31,	Amount
2017	$ 94,446
2018	55,450
2019	45,083
2020	46,083
	$ 241,062

Rent expense for the years ended December 31, 2016 and 2015 was $144,528 and $196,481, respectively.

(11) 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, 2016 and 2015, the Organization contracted to receive services from various companies in which Board members are employed.

Continued...

(11) Related Parties, Continued

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.

(12) Line of Credit

In July 2015, the Organization signed a $200,000 Revolving Line of Credit Agreement with a bank subject to a fixed interest rate of 2.49% for the first twelve months. After twelve months, the line of credit is subject to a variable interest rate as provided in the agreement, with a floor of 3.5%. The line of credit is collateralized by all accounts receivables, inventory, and equipment of the Organization. There is no outstanding balance on the line of credit at December 31, 2016 and 2015.

SUPPLEMENTARY INFORMATION

Back on My Feet

Supplementary Information
Schedule of Functional Expenses
Year Ended December 31, 2016 (with Comparative Totals for December 31, 2015)

	2016					2015
	Program Services	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total	Total
Salaries and wages	$ 1,915,872	$ -	$ 161,061	$ 724,133	$ 2,801,066	$ 2,570,445
Employee benefits	110,617	-	16,075	43,657	170,349	157,562
Payroll taxes	162,638	-	13,602	61,265	237,505	196,030
Total salaries and related expenses	2,189,127	-	190,738	829,055	3,208,920	2,924,037
Event expenses	76,753	1,081,994	-	50,011	1,208,758	1,171,330
Online processing fees	-	-	-	100,271	100,271	94,556
Interest	-	-	-	-	-	178
Insurance	20,763	-	2,967	5,932	29,662	22,708
Bad debt expense	-	-	-	138,700	138,700	152,310
Miscellaneous	70,091	-	23,874	38,788	132,753	54,069
Occupancy and other rent expenses	128,517	-	26,553	40,421	195,491	249,213
Other direct program expenses	37,907	-	-	-	37,907	70,448
Postage and shipping	12,940	-	719	718	14,377	12,945
Printed materials	17,288	-	1,158	8,108	26,554	10,810
Professional fees	282,621	-	93,519	230,330	606,470	376,639
Program gear expense	341,398	-	-	-	341,398	154,468
Program financial aid and incentives	126,917	-	-	-	126,917	169,689
Race expenses	140,783	-	-	100,332	241,115	235,134
Supplies	17,688	-	875	6,124	24,687	9,707
Telecommunications	28,888	-	2,657	5,590	37,135	30,515
Transportation, travel and lodging	80,737	-	6,863	49,067	136,667	94,730
Depreciation and amortization	10,426	-	6,672	10,426	27,524	50,203
Total expenses	$ 3,582,844	$ 1,081,994	$ 356,595	$ 1,613,873	$ 6,635,306	$ 5,883,689
Percentage to total expenses	54%	16%	5%	24%	100%	100%