Back on My Feet

Financial Statements

December 31, 2017 and 2016

Kreischer Miller

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Back on My Feet
December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
April 25, 2018

Back on My Feet

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 963,572	$ 889,481
Contributions receivable, net	1,885,557	1,749,246
Inventory	60,612	66,669
Prepaid expenses	67,098	44,339
Total current assets	2,976,839	2,749,735
Long-term contributions receivable, net	-	75,000
Security deposits	22,875	20,405
Property and equipment, net	51,295	65,988
	$ 3,051,009	$ 2,911,128
LIABILITIES AND NET ASSETS		
Accrued payroll and payroll taxes	$ 232,895	$ 235,239
Accounts payable	104,282	50,243
Accrued expenses	47,752	40,033
	384,929	325,515
Net assets:		
Unrestricted	635,780	593,117
Temporarily restricted	2,030,300	1,992,496
Total net assets	2,666,080	2,585,613
	$ 3,051,009	$ 2,911,128

See accompanying notes to financial statements.

Back on My Feet

Statements of Activities
Years Ended December 31, 2017 and 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Corporate contributions	$ 1,403,346	$ 683,470	$ 2,086,816
Individual and foundation contributions	390,674	1,358,966	1,749,640
Event revenue	2,129,745	357,858	2,487,603
United Way	60,565	-	60,565
Gross profit on sales	173	-	173
Contributed goods and services	1,501,118	-	1,501,118
Interest income	2,081	-	2,081
Miscellaneous income	-	-	-
Net assets released from restrictions:			
Satisfaction of program restrictions	2,362,490	(2,362,490)	-
Total support and revenue	7,850,192	37,804	7,887,996
Expenses:			
Program services	4,162,429	-	4,162,429
Cost of direct benefits to donors	1,159,346	-	1,159,346
Management and general	523,920	-	523,920
Fundraising	1,961,834	-	1,961,834
Total expenses	7,807,529	-	7,807,529
Change in net assets	42,663	37,804	80,467
Net assets at beginning of year	593,117	1,992,496	2,585,613
Net assets at end of year	$ 635,780	$ 2,030,300	$ 2,666,080

See accompanying notes to financial statements.

2016		
Unrestricted	Temporarily Restricted	Total
$ 1,359,954	$ 745,231	$ 2,105,185
874,663	564,327	1,438,990
1,295,955	742,050	2,038,005
-	51,528	51,528
2,977	-	2,977
1,345,997	-	1,345,997
1,792	-	1,792
1,581	-	1,581
1,780,993	(1,780,993)	-
6,663,912	322,143	6,986,055
3,582,844	-	3,582,844
1,081,994	-	1,081,994
356,595	-	356,595
1,613,873	-	1,613,873
6,635,306	-	6,635,306
28,606	322,143	350,749
564,511	1,670,353	2,234,864
$ 593,117	$ 1,992,496	$ 2,585,613

Back on My Feet

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 80,467	$ 350,749
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,566	27,524
Bad debt expense	335,900	138,700
(Increase) decrease in operating assets:		
Contributions receivable	(397,211)	(536,059)
Inventory	6,057	12,694
Prepaid expenses	(22,759)	6,533
Security deposits	(2,470)	1,903
Increase (decrease) in operating liabilities:		
Accrued payroll and payroll taxes	(2,344)	62,873
Accounts payable	54,039	(41,940)
Accrued expenses	7,719	(3,966)
Net cash provided by operating activities	90,964	19,011
Cash flows from investing activity:		
Purchase of property and equipment	(16,873)	(23,857)
Net increase (decrease) in cash and cash equivalents	74,091	(4,846)
Cash and cash equivalents at the beginning of year	889,481	894,327
Cash and cash equivalents at the end of year	$ 963,572	$ 889,481

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, 2017, 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 2014. 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 the lower of average cost as determined at the time of purchase or donation or net realizable value 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 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 14% of net contributions receivable at December 31, 2017.

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.

Recent Accounting Pronouncements

Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities,* issued in August 2016, is intended to improve the presentation of financial statements of not- for-profit (NFP) entities and provide more useful information to donors, grantors, and other users. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU will also require additional information to be disclosed about investment return, expense classifications, liquidity and availability of resources, and presentation of operating cash flows. The standard will take effect for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application will be permitted. The Company is assessing the potential impact this guidance will have on its financial statements.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 improves transparency and comparability among companies by recognizing lease assets and lease liabilities on the consolidated balance sheet and by disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, with early application permitted. The Company is currently evaluating this guidance to determine the potential impact on its financial statements.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 25, 2018, 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:

	2017	2016
Receivable in less than one year	$ 2,002,351	$ 1,849,728
Receivable in one to five years	-	75,000
Total contributions receivable	2,002,351	1,924,728
Allowance for doubtful accounts	(116,794)	(100,482)
Contributions receivable, net	$ 1,885,557	$ 1,824,246

Bad debt expense for the years ended December 31, 2017 and 2016 was $335,900 and $138,700, respectively.

(4) Inventory

Inventory consists of the following at December 31:

	2017	2016
Merchandise for resale	$ 20,357	$ 19,970
Gear for program participants	40,255	46,699
	$ 60,612	$ 66,669

(5) Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Computers and software	$ 104,408	$ 87,535
Furniture and fixtures	5,815	5,815
Website	142,724	142,724
	252,947	236,074
Accumulated depreciation	(201,652)	(170,086)
	$ 51,295	$ 65,988

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was $31,566 and $27,524, respectively.

(6) Temporarily Restricted Net Assets

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

	2017	2016
Events	$ 522,933	$ 788,401
Program services	427,100	272,963
Fundracing	387,792	283,050
Time restricted contributions	692,475	648,082
	$ 2,030,300	$ 1,992,496

(7) Gross Profit on Sales

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

	2017	2016
Sales of merchandise	$ 10,533	$ 8,751
Cost of goods sold	(10,360)	(5,774)
	$ 173	$ 2,977

(8) Contributed Goods and Services

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

	2017	2016
Advertising	93,851	52,215
Event expenses	511,515	588,382
Occupancy and other rent expenses	36,000	37,240
Other expenses	17,380	1,807
Other program expenses	150,785	31,928
Professional fees, legal services	127,086	147,706
Professional fees, tech support	8,457	-
Professional fees, recruiting services	-	150,000
Professional fees, consulting services	100,000	-
Program gear	433,567	278,629
Race expenses	22,477	50,836
Transportation, travel and lodging	-	7,254
	$ 1,501,118	$ 1,345,997

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 2017 and 2016. 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 upcoming year is eligible. For the years ended December 31, 2017 and 2016, contributions to the plan amounted to $41,888 and $34,632, 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
2018	$ 57,039
2019	45,083
2020	46,083
	$ 148,205

Rent expense for the years ended December 31, 2017 and 2016 was $154,601 and $144,528, 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, 2017 and 2016, 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.

(12) Line of Credit

In July 2015, the Organization signed a $200,000 Revolving Line of Credit Agreement with a bank 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 contributions receivable, inventory, and equipment of the Organization. There is no outstanding balance on the line of credit at December 31, 2017 and 2016.

SUPPLEMENTARY INFORMATION

Back on My Feet

Supplementary Information
Schedule of Functional Expenses
Year Ended December 31, 2017 (with Comparative Totals for December 31, 2016)

	2017					2016
	Program Services	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total	Total
Salaries and wages	$ 2,155,697	$ -	$ 170,653	$ 870,295	$ 3,196,645	$ 2,801,066
Employee benefits	166,900	-	19,661	66,954	253,515	170,349
Payroll taxes	166,745	-	21,079	66,326	254,150	237,505
Total salaries and related expenses	2,489,342	-	211,393	1,003,575	3,704,310	3,208,920
Event expenses	77,809	1,159,346	-	49,056	1,286,211	1,173,524
Online processing fees	-	-	-	124,025	124,025	100,271
Insurance	17,548	-	7,250	5,014	29,812	29,662
Bad debt expense	-	-	-	335,900	335,900	138,700
Miscellaneous	48,924	-	25,633	29,794	104,351	132,753
Occupancy and other rent expenses	122,502	-	20,552	35,327	178,381	195,427
Other direct program expenses	166,121	-	-	-	166,121	98,765
Postage and shipping	11,543	-	641	641	12,825	14,377
Printed materials	28,076	-	2,141	14,985	45,202	20,798
Professional fees	221,029	-	237,871	143,322	602,222	606,470
Program gear expense	506,624	-	-	-	506,624	341,398
Program financial aid and incentives	181,085	-	-	-	181,085	126,917
Race expenses	151,294	-	-	148,463	299,757	229,571
Supplies	15,857	-	620	4,338	20,815	16,427
Telecommunications	25,084	-	3,889	4,115	33,088	37,135
Transportation, travel and lodging	87,144	-	7,258	50,832	145,234	136,667
Depreciation and amortization	12,447	-	6,672	12,447	31,566	27,524
Total expenses	$ 4,162,429	$ 1,159,346	$ 523,920	$ 1,961,834	$ 7,807,529	$ 6,635,306
Percentage to total expenses	53%	15%	7%	25%	100%	100%