Back on My Feet

Financial Statements

December 31, 2018 and 2017

Kreischer Miller

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Back on My Feet
December 31, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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.

Kreischer Miller

Horsham, Pennsylvania
April 24, 2019

Back on My Feet

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,779,742	$ 963,572
Contributions receivable, net	1,457,636	1,885,557
Inventory	63,083	60,612
Prepaid expenses	93,907	67,098
Total current assets	3,394,368	2,976,839
Security deposits	22,318	22,875
Property and equipment, net	58,427	51,295
	$ 3,475,113	$ 3,051,009
LIABILITIES AND NET ASSETS		
Accrued payroll and payroll taxes	$ 251,541	$ 232,895
Accounts payable	150,700	104,282
Accrued expenses	40,512	47,752
	442,753	384,929
Net assets:		
Without donor restrictions	1,147,252	635,780
With donor restrictions	1,885,108	2,030,300
Total net assets	3,032,360	2,666,080
	$ 3,475,113	$ 3,051,009

See accompanying notes to financial statements.

Back on My Feet

Statements of Activities
Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Corporate contributions	$ 1,390,818	$ 728,711	$ 2,119,529
Individual and foundation contributions	643,065	1,342,503	1,985,568
Event revenue	2,412,018	443,200	2,855,218
United Way	48,810	-	48,810
Contributed goods and services	1,359,695	-	1,359,695
Interest income	3,628	-	3,628
Miscellaneous income	5,443	-	5,443
Net assets released from restrictions:			
Satisfaction of program restrictions	2,659,606	(2,659,606)	-
Total support and revenue	8,523,083	(145,192)	8,377,891
Expenses:			
Program services	3,943,950	-	3,943,950
Cost of direct benefits to donors	1,299,268	-	1,299,268
Management and general	630,645	-	630,645
Fundraising	2,137,748	-	2,137,748
Total expenses	8,011,611	-	8,011,611
Change in net assets	511,472	(145,192)	366,280
Net assets at beginning of year	635,780	2,030,300	2,666,080
Net assets at end of year	$ 1,147,252	$ 1,885,108	$ 3,032,360

See accompanying notes to financial statements.

2017		
Without Donor Restrictions	With Donor Restrictions	Total
$ 1,403,346	$ 683,470	$ 2,086,816
390,674	1,358,966	1,749,640
2,129,745	357,858	2,487,603
60,565	-	60,565
1,501,118	-	1,501,118
2,081	-	2,081
173	-	173
2,362,490	(2,362,490)	-
7,850,192	37,804	7,887,996
4,162,429	-	4,162,429
1,159,346	-	1,159,346
523,920	-	523,920
1,961,834	-	1,961,834
7,807,529	-	7,807,529
42,663	37,804	80,467
593,117	1,992,496	2,585,613
$ 635,780	$ 2,030,300	$ 2,666,080

Back on My Feet

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total
Salaries and wages	$ 2,076,576	$ -	$ 185,223	$ 1,026,839	$ 3,288,638
Employee benefits	226,586	-	68,372	116,514	411,472
Payroll taxes	162,861	-	13,233	79,692	255,786
Total salaries and related expenses	2,466,023	-	266,828	1,223,045	3,955,896
Event expenses	102,449	1,299,268	-	65,664	1,467,381
Online processing fees	-	-	-	142,434	142,434
Insurance	26,034	-	8,804	7,438	42,276
Bad debt expense	-	-	-	254,150	254,150
Miscellaneous	70,592	-	37,537	43,275	151,404
Occupancy and other rent expenses	192,531	-	30,890	55,200	278,621
Other direct program expenses	26,328	-	-	-	26,328
Postage and shipping	10,284	-	571	571	11,426
Printed materials	14,541	-	1,116	7,812	23,469
Professional fees	210,380	-	254,621	109,781	574,782
Program gear expense	298,153	-	-	-	298,153
Program financial aid and incentives	199,020	-	-	-	199,020
Race expenses	169,515	-	-	141,003	310,518
Supplies	19,351	-	628	4,393	24,372
Telecommunications	13,632	-	13,504	4,386	31,522
Transportation, travel and lodging	112,128	-	9,126	65,607	186,861
Depreciation and amortization	12,989	-	7,020	12,989	32,998
Total expenses	$ 3,943,950	$ 1,299,268	$ 630,645	$ 2,137,748	$ 8,011,611
Percentage to total expenses	49%	16%	8%	27%	100%

Back on My Feet

Statement of Functional Expenses
Year Ended December 31, 2017

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

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 366,280	$ 80,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,998	31,566
Bad debt expense	254,150	335,900
(Increase) decrease in operating assets:		
Contributions receivable	173,771	(397,211)
Inventory	(2,471)	6,057
Prepaid expenses	(26,809)	(22,759)
Security deposits	557	(2,470)
Increase (decrease) in operating liabilities:		
Accrued payroll and payroll taxes	18,646	(2,344)
Accounts payable	46,418	54,039
Accrued expenses	(7,240)	7,719
Net cash provided by operating activities	856,300	90,964
Cash flows from investing activity:		
Purchase of property and equipment	(40,130)	(16,873)
Net increase in cash and cash equivalents	816,170	74,091
Cash and cash equivalents at the beginning of year	963,572	889,481
Cash and cash equivalents at the end of year	$ 1,779,742	$ 963,572

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, 2018, 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Net Assets, Continued

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 2015. In addition, the Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the Internal Revenue Service to report its unrelated business taxable income. 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 collectibility. Past due amounts are individually analyzed for collectibility 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 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

Revenue and Revenue Recognition

Contributions and event revenue are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, event expenses, occupancy and other rent expenses, professional fees, race expenses, and certain other expenses, which are allocated on the basis of estimates of time and effort.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Accounting Pronouncement Adopted

Financial Statements of Not-for-Profits

In 2018, the Organization implemented the requirements of the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The accompanying 2017 financial statements have been reclassified to conform to the 2018 presentation and disclosures requirements of ASU 2016-14. ASU 2016-14 requires certain changes to the presentation of financial statements of not-for-profit entities and additional new disclosures. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. There was no impact to total net asset balances.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which updates the accounting guidance on revenue recognition. This standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance to not-for-profit entities as they adopt FASB ASU 2014-09, *Revenue from Contracts with Customers*, specifically as it relates to grants and contracts. The new guidance applies to all entities that receive or make contributions, including business entities.

Both of the revenue recognition standards are effective for the Organization's year ending December 31, 2019. The Organization has not adopted this guidance for 2018 and is currently evaluating the impact of adoption.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, (Topic 842). ASU 2016.02 improves transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities in the statement of financial position, except for leases with lease terms of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Organizations are also required to disclose key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact of adoption of the pronouncement.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 24, 2019, which is the date the financial statements were available to be issued.

(3) Liquidity and Availability

Back on My Feet has $3,197,378 of financial assets available within one year of the statement of financial position date consisting of cash of $1,779,742 and contributions receivable of $1,417,636. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. Back on My Feet has a goal to maintain liquid financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $1,600,000. As part of its liquidity management, Back on My Feet invests cash in excess of daily requirements in various short-term investments including bank deposit and money market accounts. As more fully described in Note 13, Back on My Feet also has a committed line of credit in the amount of $200,000, which it could draw upon in the event of an unanticipated liquidity need.

(4) Contributions Receivable

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

	2018	2017
Contributions receivable	$ 1,611,718	$ 2,002,351
Allowance for doubtful accounts	(154,082)	(116,794)
Contributions receivable, net	$ 1,457,636	$ 1,885,557

Bad debt expense for the years ended December 31, 2018 and 2017 was $254,150 and $335,900, respectively.

(5) Inventory

Inventory consists of the following at December 31:

	2018	2017
Merchandise for resale	$ 16,318	$ 20,357
Gear for program participants	46,765	40,255
	$ 63,083	$ 60,612

(6) Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Computers and software	$ 119,539	$ 104,408
Furniture and fixtures	5,815	5,815
Website	167,724	142,724
	293,078	252,947
Accumulated depreciation	(234,651)	(201,652)
	$ 58,427	$ 51,295

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or programs at December 31:

	2018	2017
Subject to expenditure for specified purpose:		
Event sponsorships	$ 443,200	$ 522,933
Grants for delivery of specified program services	280,100	427,100
Subject to the passage of time:		
Fundracing - promises to give through participating in certain running events	436,279	387,792
Promises to give that are not restricted by donors, but which are unavailable for expenditure until a future date	725,529	692,475
	$ 1,885,108	$ 2,030,300

(8) Contributed Goods and Services

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

	2018	2017
Advertising	$ 34,463	$ 93,851
Event expenses	611,220	511,515
Occupancy and other rent expenses	116,788	36,000
Other expenses	-	17,380
Other program expenses	114,740	150,785
Professional fees, legal services	139,874	127,086
Professional fees, tech support	75,000	8,457
Professional fees, consulting services	-	100,000
Program gear	230,542	433,567
Race expenses	33,549	22,477
Transportation, travel and lodging	3,519	-
	$ 1,359,695	$ 1,501,118

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 2018 and 2017. 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 which was terminated effective December 31, 2018. The Organization matched 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 was expected to earn $5,000 in the upcoming year was eligible. For the years ended December 31, 2018 and 2017, contributions to the plan amounted to $56,035 and $41,888, respectively.

Effective January 1, 2019 the Organization instituted a 401(k) retirement plan. The Plan generally covers employees who complete three months of service. The Organization has elected to make a safe harbor matching contribution of salary deferrals up to 4% of compensation. The Organization may also opt to make discretionary matching and profit sharing contributions to participant accounts.

(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
2019	$ 75,060
2020	46,083
	$ 121,143

Rent expense for the years ended December 31, 2018 and 2017 was $251,114 and $154,601, 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, 2018 and 2017, the Organization contracted to receive services from various companies by 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, 2018 and 2017.