Back on My Feet

Financial Statements

December 31, 2019 and 2018

Kreischer Miller

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Back on My Feet
December 31, 2019 and 2018

CONTENTS

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, 2019 and 2018, 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, 2019 and 2018, 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 21, 2020

Back on My Feet

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,250,830	$ 1,779,742
Contributions receivable, net	2,071,120	1,457,636
Inventory	63,115	63,083
Prepaid expenses	76,629	93,907
Total current assets	3,461,694	3,394,368
Security deposits	20,852	22,318
Property and equipment, net	70,797	58,427
	$ 3,553,343	$ 3,475,113
LIABILITIES AND NET ASSETS		
Accrued payroll and payroll taxes	$ 290,215	$ 251,541
Accounts payable	144,495	150,700
Accrued expenses	50,125	40,512
	484,835	442,753
Net assets:		
Without donor restrictions	1,025,401	1,147,252
With donor restrictions	2,043,107	1,885,108
Total net assets	3,068,508	3,032,360
	$ 3,553,343	$ 3,475,113

See accompanying notes to financial statements.

Back on My Feet

Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Corporate contributions	$ 1,549,188	$ 701,835	$ 2,251,023
Individual and foundation contributions	492,640	2,353,979	2,846,619
Event revenue	2,498,750	263,272	2,762,022
United Way	47,245	-	47,245
Contributed goods and services	1,023,288	-	1,023,288
Miscellaneous income	9,422	-	9,422
Net assets released from restrictions:			
Satisfaction of program restrictions	3,161,087	(3,161,087)	-
Total support and revenue	8,781,620	157,999	8,939,619
Expenses:			
Program services	4,247,090	-	4,247,090
Cost of direct benefits to donors	1,300,766	-	1,300,766
Management and general	1,121,868	-	1,121,868
Fundraising	2,233,747	-	2,233,747
Total expenses	8,903,471	-	8,903,471
Change in net assets	(121,851)	157,999	36,148
Net assets at beginning of year	1,147,252	1,885,108	3,032,360
Net assets at end of year	$ 1,025,401	$ 2,043,107	$ 3,068,508

See accompanying notes to financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
$ 1,390,818	$ 728,711	$ 2,119,529
643,065	1,342,503	1,985,568
2,412,018	443,200	2,855,218
48,810	-	48,810
1,359,695	-	1,359,695
9,071	-	9,071
2,659,606	(2,659,606)	-
8,523,083	(145,192)	8,377,891
3,943,950	-	3,943,950
1,299,268	-	1,299,268
630,645	-	630,645
2,137,748	-	2,137,748
8,011,611	-	8,011,611
511,472	(145,192)	366,280
635,780	2,030,300	2,666,080
$ 1,147,252	$ 1,885,108	$ 3,032,360

Back on My Feet

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total
Salaries and wages	$ 2,412,783	$ -	$ 516,964	$ 1,065,271	$ 3,995,018
Employee benefits	325,272	-	134,740	118,810	578,822
Payroll taxes	178,576	-	43,718	77,574	299,868
Total salaries and related expenses	2,916,631	-	695,422	1,261,655	4,873,708
Event expenses	114,408	1,300,766	-	43,806	1,458,980
Online processing fees	-	-	-	142,383	142,383
Insurance	27,615	-	9,820	7,889	45,324
Bad debt expense	-	-	-	229,800	229,800
Miscellaneous	109,354	-	61,683	64,204	235,241
Occupancy and other rent expenses	189,264	-	28,947	53,263	271,474
Other direct program expenses	92,040	-	-	-	92,040
Postage and shipping	10,111	-	562	562	11,235
Printed materials	17,095	-	1,260	8,820	27,175
Professional fees	69,410	-	288,088	80,813	438,311
Program gear expense	207,047	-	-	-	207,047
Program financial aid and incentives	204,501	-	-	-	204,501
Race expenses	79,404	-	-	225,591	304,995
Supplies	22,467	-	501	3,506	26,474
Telecommunications	16,488	-	15,908	3,793	36,189
Transportation, travel and lodging	156,577	-	11,618	92,984	261,179
Depreciation and amortization	14,678	-	8,059	14,678	37,415
Total expenses	$ 4,247,090	$ 1,300,766	$ 1,121,868	$ 2,233,747	$ 8,903,471

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 36,148	$ 366,280
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,415	32,998
Bad debt expense	229,800	254,150
(Increase) decrease in operating assets:		
Contributions receivable	(843,284)	173,771
Inventory	(32)	(2,471)
Prepaid expenses	17,278	(26,809)
Security deposits	1,466	557
Increase (decrease) in operating liabilities:		
Accrued payroll and payroll taxes	38,674	18,646
Accounts payable	(6,205)	46,418
Accrued expenses	9,613	(7,240)
Net cash provided by (used in) operating activities	(479,127)	856,300
Cash flows from investing activity:		
Purchase of property and equipment	(49,785)	(40,130)
Net increase (decrease) in cash and cash equivalents	(528,912)	816,170
Cash and cash equivalents at the beginning of year	1,779,742	963,572
Cash and cash equivalents at the end of year	$ 1,250,830	$ 1,779,742

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, 2019, the Organization has chapters in Philadelphia, Baltimore, Washington D.C., Boston, Chicago, Dallas, Indianapolis, Atlanta, New York City, Austin, Los Angeles, San Francisco and Denver. 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 2016. 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 or net realizable value. The cost of inventory is 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 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

Contributions and Event Revenue

Contributions and event revenue, including unconditional promises, are recognized as revenues in the period made. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions and event revenue received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

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.

Accounting Pronouncement Adopted

Revenue Recognition

On January 1, 2019, the Organization adopted FASB ASU 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 using a full retrospective application to agreements not completed as of January 1, 2018. The implementation of ASU 2018-08 did not have a material effect on the Organization's financial positions, results of operations or cash flows. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2018-08 on January 1, 2019.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncement

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 the Organization's year ending December 31, 2021. The Organization has not adopted this guidance for 2019 and is currently evaluating the impact of adoption.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 21, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As the pandemic continues to evolve into a worldwide health crisis, the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition, and cash flow.

(3) Liquidity and Availability

The Organization has $3,281,950 and $3,197,378 of financial assets available within one year of the statement of financial position date at December 31, 2019 and 2018, respectively consisting of cash of $1,250,830 and $1,779,742 and contributions receivable of $2,031,120 and $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 $1,900,000. 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 12, 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:

	2019	2018
Contributions receivable	$2,251,963	$1,611,718
Allowance for doubtful accounts	(180,843)	(154,082)
Contributions receivable, net	$2,071,120	$1,457,636

Bad debt expense for the years ended December 31, 2019 and 2018 was $229,800 and $254,150, respectively.

(5) Inventory

Inventory consists of the following at December 31:

	2019	2018
Merchandise for resale	$15,301	$16,318
Gear for program participants	47,814	46,765
	$63,115	$63,083

(6) Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018
Computers and software	$169,325	$119,539
Furniture and fixtures	5,815	5,815
Website	167,724	167,724
	342,864	293,078
Accumulated depreciation	(272,067)	(234,651)
	$ 70,797	$ 58,427

(7) Net Assets with Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose:		
Event sponsorships	$ 298,272	$ 443,200
Grants for delivery of specified program services	516,000	280,100
Subject to the passage of time:		
Fundracing - promises to give through participating in certain running events	527,000	436,279
Promises to give that are not restricted by donors, but which are unavailable for expenditure until a future date	701,835	725,529
	$ 2,043,107	$ 1,885,108

(8) Contributed Goods and Services

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

	2019	2018
Advertising	$ -	$ 34,463
Event expenses	460,704	611,220
Occupancy and other rent expenses	98,956	116,788
Other expenses	56,563	-
Other program expenses	52,817	114,740
Professional fees, legal services	144,510	139,874
Professional fees, tech support	-	75,000
Program gear	145,825	230,542
Race expenses	63,913	33,549
Transportation, travel and lodging	-	3,519
	$1,023,288	$1,359,695

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 2019 and 2018. 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

Effective January 1, 2019, the Organization instituted a 401(k) retirement plan (the Plan). The Plan generally covers employees who have completed three months of service. The Organization has elected to make a safe harbor matching contribution of salary deferrals up to 4% of compensation, and a discretionary matching contribution of salary deferrals above 4% up to 6% of compensation. The Organization may also opt to make profit sharing contributions to participant accounts. For the year ended December 31, 2019, contributions to the Plan amounted to $98,160.

The Organization had a Simple IRA plan that was effective April 15, 2011 which was terminated effective December 31, 2018. For the year ended December 31, 2018 contributions to this plan were $56,035.

(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, 2022. Minimum future rentals payable under these leases are:

Years Ending December 31,	Amount
2020	$125,812
2021	15,504
2022	13,219
	$ 154,535

Rent expense for the years ended December 31, 2019 and 2018 was $248,295 and $251,114, 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, 2019 and 2018, 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 5.75%. 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, 2019 and 2018.