

RILEY'S WAY FOUNDATION, INC.
FINANCIAL STATEMENTS
MODIFIED CASH BASIS
YEARS ENDED JULY 31, 2018 AND 2017

**RILEY'S WAY FOUNDATION, INC.
FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Riley's Way Foundation, Inc.

We have audited the accompanying financial statements of Riley's Way Foundation, Inc., which comprise the statements of assets, liabilities and net assets - modified cash basis as of July 31, 2018 and 2017, and the related statements of revenues and expenses - modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's 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 auditor's 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 auditor considers 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 assets, liabilities and net assets of Riley's Way Foundation, Inc. as of July 31, 2018 and 2017, and its revenues and expenses for the years then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
January 30, 2019

RILEY'S WAY FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
JULY 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---------------------------|----------------------------|----------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 150,608 | \$ 700,721 |
| Investments | <u>2,324,033</u> | <u>1,439,479</u> |
| TOTAL ASSETS | <u>\$ 2,474,641</u> | <u>\$ 2,140,200</u> |

| <u>LIABILITIES AND NET ASSETS</u> | | |
|--|----------------------------|----------------------------|
| Liabilities | \$ - | \$ - |
| Commitments and contingencies (Note 4) | | |
| Unrestricted net assets | <u>2,474,641</u> | <u>2,140,200</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,474,641</u> | <u>\$ 2,140,200</u> |

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
STATEMENTS OF REVENUES AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEARS ENDED JULY 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Revenues: | | |
| Contributions | \$ <u>689,558</u> | \$ <u>132,761</u> |
| Revenue from special events: | | |
| Special events income | 68,905 | 412,250 |
| Less: direct costs | <u>(68,827)</u> | <u>(128,145)</u> |
| Net revenue from special events | <u>78</u> | <u>284,105</u> |
| Total revenues | <u>689,636</u> | <u>416,866</u> |
| Expenses: | | |
| Program services - grant program: | | |
| Payroll | 117,998 | 97,520 |
| Grants awarded | 84,769 | 36,631 |
| Consulting | 62,058 | 53,390 |
| Payroll taxes | <u>9,420</u> | <u>7,965</u> |
| Total program services - grant program | <u>274,245</u> | <u>195,506</u> |
| General and administrative: | | |
| Professional fees | 24,425 | 17,485 |
| Payroll | 23,600 | 19,504 |
| Office | 18,408 | 12,176 |
| Consulting | 15,514 | 13,348 |
| Employee benefits | 8,330 | 5,888 |
| Rent | 6,600 | 11,436 |
| Insurance | 2,427 | 2,876 |
| Payroll taxes | 1,884 | 1,593 |
| Miscellaneous | <u>1,271</u> | <u>1,055</u> |
| Total general and administrative | <u>102,459</u> | <u>85,361</u> |
| Fundraising: | | |
| Payroll | 15,733 | 13,003 |
| Payroll taxes | 1,256 | 1,062 |
| Web design and branding | - | 4,564 |
| Promotional | - | 14,921 |
| Permits | <u>-</u> | <u>-</u> |
| Total fundraising | <u>16,989</u> | <u>33,550</u> |
| Total expenses | <u>393,693</u> | <u>314,417</u> |
| Other income: | | |
| Dividend income | 43,573 | 12,902 |
| Interest income | 3,794 | 1,080 |
| Gain (loss) on sale of investments | <u>(8,869)</u> | <u>45,982</u> |
| Total other income | <u>38,498</u> | <u>59,964</u> |
| Increase in unrestricted net assets | 334,441 | 162,413 |
| Unrestricted net assets - beginning | <u>2,140,200</u> | <u>1,977,787</u> |
| UNRESTRICTED NET ASSETS - ENDING | <u>\$ <u>2,474,641</u></u> | <u>\$ <u>2,140,200</u></u> |

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017

NOTE 1. CHARITABLE PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charitable purpose

The Riley Sandler Memorial Foundation, Inc. (the "Foundation") was established on August 19, 2014. The Foundation grants funding to participating elementary schools for the purpose of emphasizing the values of kindness and empathy among children in order to create a broader movement of changed behavior and children working together. As of January 27, 2017, the Foundation changed its name from the Riley Sandler Memorial Foundation, Inc. to Riley's Way Foundation, Inc.

Basis of accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting ("modified cash basis") which is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. Additionally, under U.S. GAAP, investments would be reflected at fair value on the statements of assets, liabilities and net assets. Under the modified cash basis, fair value adjustments are not permitted.

Modifications to the cash basis of accounting include reflecting the cost of investments purchased on the statements of assets, liabilities and net assets rather than reflecting them as costs and expenses when purchased.

Revenue recognition

Unless specifically restricted by the grantor or donor, all grants and contributions are considered to be available for unrestricted use and are recognized as income when received.

Financial statement presentation

The Foundation distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source imposed restrictions), temporarily restricted net assets (funding source imposed restrictions which have not been met) and unrestricted net assets (not subject to funding source imposed restrictions or whose funding source imposed restrictions have been met). Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted revenue. At July 31, 2018 and 2017, the Foundation had no temporarily or permanently restricted net assets.

The Foundation summarizes the costs of providing program services and other activities on a functional basis in the accompanying statements of revenues and expenses. Accordingly, certain costs have been allocated between program and supporting services.

Cash and cash equivalents

The Foundation classifies highly liquid investments purchased with original maturity dates of three months or less as cash equivalents.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017

NOTE 1. CHARITABLE PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at cost, if purchased. Donated securities are reported at fair values as determined on the dates of donation.

Concentration risk

The Foundation maintains cash and cash equivalents with financial institutions in accounts that at times may be in excess of federally insured amounts. The Foundation has not experienced any losses in these accounts and feels that it is not subject to any significant risk with regard to cash and cash equivalents.

The Foundation's investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could be material.

Use of estimates

The preparation of financial statements, in conformity with the modified cash basis of accounting, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed services

A substantial number of volunteers have donated significant amounts of their time in the Foundation's program services, administration and fundraising. No amounts have been reflected in the accompanying financial statements for these donations, since these services do not meet the criteria for recognition.

Income taxes

The Foundation qualifies as a charitable foundation as defined by Internal Revenue Code Section 501(c)(3) and applicable New York State tax laws. Accordingly, the Foundation is exempt from federal and state income taxes.

The Foundation recognizes and measures its unrecognized tax benefits by assessing the likelihood based upon their technical merit, that tax positions will be sustained upon examination, based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

The Foundation files tax returns in the U.S. federal jurisdiction and in the state of New York. The Foundation is subject to U.S. or New York State tax examinations by taxing authorities for all periods that were filed.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017

NOTE 1. CHARITABLE PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

The Foundation has evaluated subsequent events through January 30, 2019, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2. INVESTMENTS

The Foundation's investments consisted of the following as of July 31, 2018:

| Description | Fair value | Cost | Unrealized gains (losses) |
|-----------------------------|--------------|--------------|------------------------------|
| Fixed income funds | \$ 677,804 | \$ 692,437 | \$ (14,633) |
| Exchange traded funds: | | | |
| Foreign index funds | 501,566 | 470,839 | 30,727 |
| Russell 1000 growth fund | 224,805 | 174,311 | 50,494 |
| Russell 1000 value fund | 212,417 | 189,895 | 22,522 |
| S&P 100 fund | 38,085 | 30,749 | 7,336 |
| S&P 500 fund | 667,877 | 561,643 | 106,234 |
| S&P mid-cap fund | 94,494 | 79,514 | 14,980 |
| S&P small-cap fund | 95,034 | 73,243 | 21,791 |
| Others | 56,801 | 51,402 | 5,399 |
| Total exchange traded funds | 1,891,079 | 1,631,596 | 259,483 |
| Total investments | \$ 2,568,883 | \$ 2,324,033 | \$ 244,850 |

The Foundation's investments consisted of the following as of July 31, 2017:

| Description | Fair value | Cost | Unrealized gains (losses) |
|-----------------------------|--------------|--------------|------------------------------|
| Fixed income funds | \$ 440,804 | \$ 439,594 | \$ 1,210 |
| Exchange traded funds: | | | |
| Foreign index funds | 294,064 | 270,264 | 23,800 |
| Russell 1000 growth fund | 133,992 | 115,784 | 18,208 |
| Russell 1000 value fund | 124,232 | 111,560 | 12,672 |
| S&P 100 fund | 33,730 | 30,355 | 3,375 |
| S&P 500 fund | 393,351 | 350,665 | 42,686 |
| S&P mid-cap fund | 55,806 | 49,020 | 6,786 |
| S&P small-cap fund | 55,940 | 48,469 | 7,471 |
| Others | 22,363 | 23,768 | (1,405) |
| Total exchange traded funds | 1,113,478 | 999,885 | 113,593 |
| Total investments | \$ 1,554,282 | \$ 1,439,479 | \$ 114,803 |

Fair value of the investments reflect the closing prices of the investments as of July 31, 2018 and 2017, as quoted in an active market that the Foundation has the ability to access.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017

NOTE 3. RELATED-PARTY TRANSACTIONS

An officer of the Foundation made unrestricted contributions of \$133,987 and \$140,132 for the years ended July 31, 2018 and 2017, respectively. This officer also contributed stock to the Foundation of \$486,558 for the year ended July 31, 2018.

NOTE 4. COMMITMENTS AND CONTINGENCIES

Lease agreements

The Foundation conducts its operations from a facility that is leased under an operating lease expiring on July 31, 2019. Future minimum lease payments for the year ending July 31, 2019, is expected to be \$7,392.

Rent expense for the years ended July 31, 2018 and 2017, totaled \$6,600 and \$11,436, respectively.