

RILEY'S WAY FOUNDATION, INC.
FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FIVE MONTHS ENDED DECEMBER 31, 2018

**RILEY'S WAY FOUNDATION, INC.
FOR THE FIVE MONTHS ENDED DECEMBER 31, 2018**

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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 statement of assets, liabilities and net assets - modified cash basis as of December 31, 2018, and the related statements of revenues and expenses - modified cash basis and functional expenses - modified cash basis for the five months 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 as 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 audit. 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 December 31, 2018, and its revenues and expenses and functional expenses for the five months 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
November 12, 2019

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 469,243
Investments	<u>2,574,139</u>
TOTAL ASSETS	<u>\$ 3,043,382</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -
Commitments and contingencies (Note 5)	
Net assets without donor restrictions	<u>3,043,382</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,043,382</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF REVENUES AND EXPENSES
MODIFIED CASH BASIS
FOR THE FIVE MONTHS ENDED DECEMBER 31, 2018

Support and revenue:		
Contributions		\$ 660,012
Revenue from special events:		
Special events income	\$ 147,600	
Less: direct costs	<u>73,586</u>	
Net revenue from special events		<u>74,014</u>
Total support and revenue		<u>734,026</u>
Functional expenses:		
Program services		95,627
Supporting services		<u>86,888</u>
Total functional expenses		<u>182,515</u>
Other income (loss):		
Dividend income		23,697
Interest income		3,833
Loss on sale of investments		<u>(10,300)</u>
Total other income		<u>17,230</u>
Increase in unrestricted net assets		568,741
Net assets without donor restrictions - beginning		<u>2,474,641</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING		<u>\$ 3,043,382</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE FIVE MONTHS ENDED DECEMBER 31, 2018

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Total Supporting Services	Special Event Direct Costs	
Consulting fees	\$ 39,590	\$ 9,897	\$ -	\$ 9,897	\$ -	\$ 49,487
Direct program expenditures	1,383	-	-	-	-	1,383
Employee health insurance	-	3,320	-	3,320	-	3,320
Employee wages	41,283	8,257	5,504	13,761	-	55,044
Insurance	-	1,374	-	1,374	8,694	10,068
Office expenses	-	6,049	-	6,049	727	6,776
Payroll service	-	518	-	518	-	518
Payroll taxes	3,163	633	422	1,055	-	4,218
Program related costs	10,208	-	-	-	-	10,208
Rent	-	3,664	-	3,664	-	3,664
Site fees	-	-	-	-	64,165	64,165
Web design and branding	-	47,250	-	47,250	-	47,250
	95,627	80,962	5,926	86,888	73,586	256,101
Special event direct costs	-	-	-	-	(73,586)	(73,586)
TOTAL EXPENSES						
REPORTED BY FUNCTION	<u>\$ 95,627</u>	<u>\$ 80,962</u>	<u>\$ 5,926</u>	<u>\$ 86,888</u>	<u>\$ -</u>	<u>\$ 182,515</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. CHARITABLE PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charitable purpose

The Riley's Way Foundation, Inc. (the "Foundation") was established on August 19, 2014. The Foundation is a non-profit organization in New York City building kind leaders for a better tomorrow. The Foundation works with educators and youth to empower empathy and kindness in teens, and provide them with the infrastructure and support to become change-makers and create lasting connections in their communities.

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.

Net assets

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

Net Assets With Donor Restrictions - Net assets subject to donor-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. There were no net assets with donor restrictions at December 31, 2018.

Cash and cash equivalents

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

Investments

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

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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.

Functional allocation of expenses

The costs of providing the various program and supporting services activities have been summarized on a functional basis in the accompanying statement of functional expenses. The Foundation pays expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both program objectives, as well as supporting services (i.e., fundraising, and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

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.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Income taxes (continued)

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.

Recently adopted accounting pronouncement

In August 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Foundation has adjusted the presentation of these financial statements accordingly.

Accounting pronouncements issued but not yet effective

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The effect of adopting this new guidance on the Foundation's financial statements is not expected to significantly impact the presentation of the financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through November 12, 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.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. INVESTMENTS

The Foundation's investments which are carried at cost consisted of the following as of December 31, 2018:

Description	Fair value	Cost	Unrealized gains (losses)
Fixed income funds	\$ <u>680,592</u>	\$ <u>700,007</u>	\$ <u>(19,415)</u>
Exchange traded funds:			
Foreign index funds	431,029	478,015	(46,986)
Russell 1000 growth fund	225,994	204,266	21,728
Russell 1000 value fund	207,330	211,515	(4,185)
S&P 100 fund	37,586	34,507	3,079
S&P 500 fund	662,573	635,841	26,732
S&P mid-cap fund	91,831	94,160	(2,329)
S&P small-cap fund	89,769	89,064	705
Others	<u>118,313</u>	<u>126,764</u>	<u>(8,451)</u>
Total exchange traded funds	<u>1,864,425</u>	<u>1,874,132</u>	<u>(9,707)</u>
Total investments	<u>\$ 2,545,017</u>	<u>\$ 2,574,139</u>	<u>\$ (29,122)</u>

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

NOTE 3. LIQUIDITY AND AVAILABILITY

The Foundation considers contributions without donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- (a) Operating within a prudent range of financial soundness and stability
- (b) Maintaining adequate liquid assets, and
- (c) Maintaining sufficient reserves to provide reasonable assurance that long-term commitments that support mission fulfillment will be met, which ensures the sustainability of the Foundation.

The following represents the Foundation's financial assets as of December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 469,243
Investments	<u>2,574,139</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,043,382</u>

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of the Foundation's liquidity management, it has a goal to structure its general expenditures and other obligations based on the availability of its financial assets.

NOTE 4. RELATED-PARTY TRANSACTIONS

An officer of the Foundation made contributions without donor restrictions totaling \$108,000 throughout the five months ended December 31, 2018. This officer and a director of the Foundation also contributed stock to the Foundation of \$529,995 throughout the five months ended December 31, 2018.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Lease agreements

The Foundation conducts its operations from a facility that is leased under an operating lease expiring on July 31, 2020. Future minimum lease payments for the remaining life of the lease at December 31, 2018, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2019	\$ 7,564
2020	<u>4,614</u>
	<u>\$ 12,178</u>

Rent expense for the five months ended December 31, 2018, totaled \$3,664.