

RILEY'S WAY FOUNDATION, INC.
FINANCIAL STATEMENTS
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

RILEY'S WAY FOUNDATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

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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, 2020, and the related statement of revenues and expenses - modified cash basis and functional expenses - modified cash basis for the year 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 audit 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, 2020, and its revenues and expenses and functional expenses for the year 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.

Report on Summarized Comparative Information

We have previously audited Riley's Way Foundation, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with audited financial statements from which it has been derived.



CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
November 9, 2021

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2020
(with summarized comparative information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,299,428	\$ 224,345
Investments	<u>207,160</u>	<u>2,992,932</u>
TOTAL ASSETS	<u>\$ 4,506,588</u>	<u>\$ 3,217,277</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities	\$ -	\$ -
Commitments and contingencies (Note 5)		
Net assets without donor restrictions	<u>4,506,588</u>	<u>3,217,277</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,506,588</u>	<u>\$ 3,217,277</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF REVENUES AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Support and revenue:		
Contributions	\$ <u>1,767,776</u>	\$ <u>409,875</u>
Revenue from special events:		
Special events income	-	450,831
Less: direct costs	<u>-</u>	<u>129,526</u>
Net revenue from special events	<u>-</u>	<u>321,305</u>
Total support and revenue	<u>1,767,776</u>	<u>731,180</u>
Functional expenses:		
Program services	<u>533,744</u>	<u>412,474</u>
Supporting services:		
Management and general	192,802	199,636
Fundraising	<u>22,045</u>	<u>25,245</u>
Total supporting services	<u>214,847</u>	<u>224,881</u>
Total functional expenses	<u>748,591</u>	<u>637,355</u>
Other income:		
Dividend income	3,926	74,254
Interest income	739	5,816
Gain on sale of investments	<u>265,461</u>	<u>-</u>
Total other income	<u>270,126</u>	<u>80,070</u>
Increase in net assets without donor restrictions	1,289,311	173,895
Net assets without donor restrictions - beginning	<u>3,217,277</u>	<u>3,043,382</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	\$ <u>4,506,588</u>	\$ <u>3,217,277</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

	2020				2019	
	Supporting Services			Total	Total Expenses	
	Program Services	Management and General	Fundraising			Total Supporting Services
Consulting fees	\$ 29,140	\$ 12,488	\$ -	\$ 12,488	\$ 41,628	\$ 131,610
Direct program expenditures	108,034	-	-	-	108,034	39,201
Employee health insurance	-	36,497	-	36,497	36,497	8,699
Employee wages	327,745	61,452	20,484	81,936	409,681	233,733
Event production	-	-	-	-	-	20,641
Insurance	-	1,398	-	1,398	1,398	15,938
Office expenses	-	41,613	-	41,613	41,613	57,053
Payroll service	-	10,671	-	10,671	10,671	4,759
Payroll taxes	24,975	4,683	1,561	6,244	31,219	18,720
Program related costs	43,850	-	-	-	43,850	78,645
Rent	-	18,540	-	18,540	18,540	7,607
Site fees	-	-	-	-	-	95,925
Web design and branding	-	5,460	-	5,460	5,460	54,350
	533,744	192,802	22,045	214,847	748,591	766,881
Special event direct costs	-	-	-	-	-	(129,526)
TOTAL EXPENSES REPORTED						
BY FUNCTION	<u>\$ 533,744</u>	<u>\$ 192,802</u>	<u>\$ 22,045</u>	<u>\$ 214,847</u>	<u>\$ 748,591</u>	<u>\$ 637,355</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(with summarized comparative information as of December 31, 2019)

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.

During the 2020 calendar year, the World Health Organization declared the novel coronavirus ("COVID-19") to constitute a "Public Health Emergency of International Concern." Disruptions to the Foundation's operations could occur as a result from quarantines of employees and contributors in areas effected by the outbreak. Given the uncertainty of the situation, the Foundation is unable at this time to accurately predict the pandemic's future impact on the Foundation's programs, results of operations, financial condition, or liquidity.

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 statement of assets, liabilities and net assets rather than reflecting them as costs and expenses when purchased.

Revenue recognition

The Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), 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.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(with summarized comparative information as of December 31, 2019)

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

Revenue recognition (continued)

donor restrictions and reported in the statement of revenues and expenses as net assets released from restrictions.

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. Special events revenue is recorded when earned, which is when an event is held.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

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, 2020 and 2019.

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. There were donated securities totaling \$889,144 during the year ended December 31, 2020 and there were no donated securities during the year ended December 31, 2019.

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.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(with summarized comparative information as of December 31, 2019)

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

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 statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services in reasonable amounts and ratios determined by management.

The expenses that are allocated include the following:

Expense	Method of Allocation
Consulting fees	Directly charged
Employee wages	Time and effort
Payroll taxes	Time and effort

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.

Subsequent events

In accordance with FASB Accounting Standards Codification 855, *Subsequent Events*, the Foundation has evaluated subsequent events through November 9, 2021, the date on which these financial statements were available to be issued. There were no additional material subsequent events that required recognition or additional disclosure in these financial statements, except as disclosed in Note 5.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(with summarized comparative information as of December 31, 2019)

NOTE 2. INVESTMENTS

The Foundation's investments which are carried at cost consisted of the following as of December 31, 2020:

Description	Fair Value	Cost	Unrealized Gains
Private investment companies:			
Venture capital	\$ <u>331,717</u>	\$ <u>207,160</u>	\$ <u>124,557</u>

The Foundation's investments which are carried at cost consisted of the following as of December 31, 2019:

Description	Fair Value	Cost	Unrealized Gains
Fixed income funds	\$ <u>845,851</u>	\$ <u>827,103</u>	\$ <u>18,748</u>
Exchange traded funds:			
Foreign index funds	598,662	568,296	30,366
Russell 1000 growth fund	328,091	224,173	103,918
Russell 1000 value fund	349,252	296,576	52,676
S&P 100 fund	54,178	39,289	14,889
S&P 500 fund	971,695	741,507	230,188
S&P mid-cap fund	129,667	108,637	21,030
S&P small-cap fund	129,464	108,314	21,150
Others	<u>95,709</u>	<u>79,037</u>	<u>16,672</u>
Total exchange traded funds	<u>2,656,718</u>	<u>2,165,829</u>	<u>490,889</u>
Total investments	<u>\$ 3,502,569</u>	<u>\$ 2,992,932</u>	<u>\$ 509,637</u>

Fair value of the investments reflect the closing prices of the investments as of December 31, 2020 and 2019, respectively, 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.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(with summarized comparative information as of December 31, 2019)

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

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, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 4,299,428
Investments	<u>207,160</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,506,588</u>

The following represents the Foundation's financial assets as of December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 224,345
Investments	<u>2,992,932</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>3,217,277</u>

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 and two directors of the Foundation made contributions without donor restrictions totaling \$1,180,246, inclusive of donated securities totaling \$889,144, and \$365,551 throughout the years ended December 31, 2020 and 2019, respectively.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Lease agreements

The Foundation conducts its operations from a facility that is leased under an operating lease expiring on December 31, 2021. Future minimum lease payments for the remaining life of the lease through December 31, 2021, total \$19,200. Rent expense for the years ended December 31, 2020 and 2019, totaled \$18,540 and \$7,607, respectively.

Investments in limited partnerships

During 2020, the Foundation committed to purchasing investments in three limited partnerships in the aggregate amount of \$750,000. As of December 31, 2020, the Foundation has committed approximately \$241,000 to this venture capital fund with the remaining unfunded commitment of approximately \$509,000 as of December 31, 2020. During 2021, the Foundation committed to purchasing additional investments through this venture capital firm in the aggregate of \$1,875,000 with approximately \$1,420,250 committed during 2021.