

RILEY'S WAY FOUNDATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

**RILEY'S WAY FOUNDATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Riley's Way Foundation, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riley's Way Foundation, Inc. as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Riley's Way Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Riley's Way Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Riley's Way Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Riley's Way Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
August 21, 2023

**RILEY'S WAY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Cash and cash equivalents	\$ 2,864,568
Investments	<u>2,967,647</u>
TOTAL ASSETS	<u>\$ 5,832,215</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 21,552
Commitments and contingencies (Note 6)	
Net assets without donor restrictions	<u>5,810,663</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,832,215</u>

See accompanying notes to financial statements.

**RILEY'S WAY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Support and revenue:	
Contributions	\$ <u>1,467,387</u>
Revenue from special events:	
Special events income	263,960
Less: cost of direct benefits to donors	<u>16,000</u>
Net revenue from special events	<u>247,960</u>
Total support and revenue	<u>1,715,347</u>
Functional expenses:	
Program services	<u>727,951</u>
Supporting services:	
Management and general	205,316
Fundraising	<u>58,530</u>
Total supporting services	<u>263,846</u>
Total functional expenses	<u>991,797</u>
Other income:	
Interest income	1,116
Unrealized gain on investments	<u>503,606</u>
Total other income	<u>504,722</u>
Change in net assets without donor restrictions	1,228,272
Net assets without donor restrictions - beginning	<u>4,582,391</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	\$ <u>5,810,663</u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Supporting Services			Total Supporting Services	Cost of Direct Benefits to Donors	Total
	Program Services	Management and General	Fundraising			
Consulting fees	\$ 74,433	\$ 18,608	\$ -	\$ 18,608	\$ 16,000	\$ 109,041
Grants	84,031	-	-	-	-	84,031
Media costs	39,547	-	-	-	-	39,547
Technology costs	1,521	-	-	-	-	1,521
Supplies	7,745	-	-	-	-	7,745
Programming costs	51,087	-	-	-	-	51,087
Student stipends	1,351	-	-	-	-	1,351
Employee health insurance	-	43,720	-	43,720	-	43,720
Employee wages	432,885	54,111	54,111	108,222	-	541,107
Insurance	-	753	-	753	-	753
Office expenses	-	51,425	-	51,425	-	51,425
Payroll service	-	14,680	-	14,680	-	14,680
Payroll taxes	34,509	4,314	4,314	8,628	-	43,137
Rent	-	17,600	-	17,600	-	17,600
Web design and branding	842	105	105	210	-	1,052
	727,951	205,316	58,530	263,846	16,000	1,007,797
Less: expenses included with revenues on the statement of activities:						
Cost of direct benefits to donors	-	-	-	-	(16,000)	(16,000)
TOTAL EXPENSES						
REPORTED BY FUNCTION	\$ 727,951	\$ 205,316	\$ 58,530	\$ 263,846	\$ -	\$ 991,797

See accompanying notes to financial statements.

**RILEY'S WAY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash provided by operating activities:	
Change in net assets without donor restrictions	\$ 1,228,272
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:	
Unrealized gain on investments	(503,606)
Changes in assets and liabilities:	
Accounts payable	<u>(27,202)</u>
Net cash provided by operating activities	697,464
Cash used in investing activities:	
Purchase of investments	<u>(2,132,324)</u>
Net decrease in cash and cash equivalents	(1,434,860)
Cash and cash equivalents - beginning	<u>4,299,428</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 2,864,568</u></u>

See accompanying notes to financial statements.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. ORGANIZATION

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Revenue recognition

Support and revenue are 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 donor restrictions and reported in the statement of activities 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 cash is received, at the time in which 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.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021.

Cash and cash equivalents

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

Investments

Investment in private investment companies is valued, as a practical expedient, utilizing the net asset valuation provided by the underlying private investment company, without adjustment, when the net asset valuation of the investment is calculated in a manner consistent with U.S. GAAP for investment companies. The Foundation applies the practical expedient to its investment in a private investment company on an investment-by-investment basis and consistent with the Foundation's entire position in a particular investment, unless it is probable that the Foundation will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that the Foundation will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Foundation considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

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, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Expense</u>	<u>Method of Allocation</u>
Employee wages	Time and effort
Payroll taxes	Time and effort
Consulting fees	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.

Subsequent events

In accordance with Financial Accounting Standards Board Accounting Standards Codification 855, *Subsequent Events*, the Foundation has evaluated subsequent events through August 21, 2023, 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, except as disclosed in Note 6.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. INVESTMENTS

Investments in private investment companies measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

Investments, at fair value, at December 31, 2021, consisted of the following:

<u>Description</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unfunded commitments</u>
RiverNorth SPAC Arbitrage Fund, L.P. (1)	\$ 1,044,860	\$ 1,000,000	\$ -
Insight Partners XI (2)	947,188	475,000	25,000
IPPE Cayman LP (3)	550,386	500,000	-
Insight Partners XII (2)	180,957	175,000	325,000
Insight Partners Opportunities Fund I (4)	169,256	148,750	101,250
Insight Vision Capital	<u>75,000</u>	<u>75,000</u>	<u>50,000</u>
TOTAL	<u>\$ 2,967,647</u>	<u>\$ 2,373,750</u>	<u>\$ 501,250</u>

- (1) The partnership invests in equity and derivative securities. Redemptions can be made monthly.
- (2) The partnership invests in foreign and domestic equities with a focus on the information technology, software and related service industries. No redemptions can be made.
- (3) The partnership invests in equity and derivative securities. Redemptions can be made quarterly.
- (4) The partnership invests in domestic equities with a focus on the e-commerce, information technology, software and related service industries. No redemptions can be made.

NOTE 4. 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.

RILEY'S WAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4. LIQUIDITY AND AVAILABILITY (CONTINUED)

The following represents the Foundation's financial assets as of December 31, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,864,568
Investments	<u>2,967,647</u>
Total financial assets available	5,832,215
Less amounts not available to be used within 1 year:	
Investments (non-redeemable)	<u>1,297,401</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>4,534,814</u></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 5. RELATED-PARTY TRANSACTIONS

During 2021, the Foundation invested in various venture capital funds. An officer of the Foundation serves as an executive of the venture capital and private equity firm through which these investments were purchased.

An officer and four directors of the Foundation made contributions without donor restrictions totaling \$935,874, inclusive of donated securities totaling \$215,624 during the year ended December 31, 2021.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Lease agreements

The Foundation conducts its operations from a facility that is leased under an operating lease expiring on December 31, 2022. Future minimum lease payments for the remaining life of the lease through December 31, 2022, total \$19,200. Rent expense totaled \$17,600 for the year ended December 31, 2021.

Investments in limited partnerships

During 2020, the Foundation began committing to purchasing investments in various limited partnerships. As of December 31, 2021, the Foundation has committed approximately \$2.9 million to this venture capital fund with the remaining unfunded commitment of approximately \$501,000 as of December 31, 2021. During 2022, the Foundation purchased additional investments through this venture capital firm in the aggregate of \$213,316. As of the date these financial statements were available to be issued, the Foundation has approximately \$288,000 of unfunded commitments.