Back on My Feet

Financial Statements

December 31, 2015 and 2014

Kreischer Miller

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Back on My Feet
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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, 2015 and 2014, and the related statements of activities 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, 2015 and 2014, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kreischer Miller

Horsham, Pennsylvania
April 29, 2016

Back on My Feet

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 894,327	$ 799,577
Contributions receivable, net	1,211,087	1,192,693
Inventory	79,363	96,887
Prepaid expenses	50,872	39,235
Total current assets	2,235,649	2,128,392
Long-term contributions receivable, net	215,800	-
Security deposits	22,308	29,095
Property and equipment, net	69,655	104,804
	$ 2,543,412	$ 2,262,291
LIABILITIES AND NET ASSETS		
Accrued payroll and payroll taxes	$ 172,366	$ 160,278
Accounts payable	92,183	64,357
Accrued expenses	43,999	34,302
	308,548	258,937
Net assets:		
Unrestricted	564,511	582,860
Temporarily restricted	1,670,353	1,420,494
Total net assets	2,234,864	2,003,354
	$ 2,543,412	$ 2,262,291

See accompanying notes to financial statements.

Back on My Feet

Statements of Activities
Years Ended December 31, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Corporate contributions	$ 1,660,297	$ 539,940	$ 2,200,237
Individual and foundation contributions	690,579	313,480	1,004,059
Event revenue	1,368,679	572,437	1,941,116
United Way	-	54,173	54,173
Gross profit on sales	3,440	-	3,440
Gain on sale of property and equipment	-	-	-
Contributed goods and services	897,897	-	897,897
Interest income	2,029	-	2,029
Miscellaneous income	12,248	-	12,248
Net assets released from restrictions:			
Satisfaction of program restrictions	1,230,171	(1,230,171)	-
Total support and revenue	5,865,340	249,859	6,115,199
Expenses:			
Program services	3,192,661	-	3,192,661
Cost of direct benefits to donors	964,197	-	964,197
Management and general	329,936	-	329,936
Fundraising	1,396,895	-	1,396,895
Total expenses	5,883,689	-	5,883,689
Change in net assets	(18,349)	249,859	231,510
Net assets at beginning of year	582,860	1,420,494	2,003,354
Net assets at end of year	$ 564,511	$ 1,670,353	$ 2,234,864

See accompanying notes to financial statements.

2014		
Unrestricted	Temporarily Restricted	Total
$ 872,672	$ 981,820	$ 1,854,492
63,951	994,124	1,058,075
1,122,305	739,951	1,862,256
-	77,024	77,024
2,671	-	2,671
19,379	-	19,379
787,400	-	787,400
2,390	-	2,390
33,562	-	33,562
2,273,118	(2,273,118)	-
5,177,448	519,801	5,697,249
3,293,459	-	3,293,459
666,607	-	666,607
487,000	-	487,000
1,220,263	-	1,220,263
5,667,329	-	5,667,329
(489,881)	519,801	29,920
1,072,741	900,693	1,973,434
$ 582,860	$ 1,420,494	$ 2,003,354

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 231,510	$ 29,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,203	44,956
Gain on sale of property and equipment	-	(19,379)
Bad debt expense	152,310	58,152
(Increase) decrease in operating assets:		
Contributions receivable	(386,504)	(31,519)
Inventory	17,524	15,312
Prepaid expenses	(11,637)	(14,374)
Security deposits	6,787	(7,402)
Increase (decrease) in operating liabilities:		
Accrued payroll and payroll taxes	12,088	28,270
Accounts payable	27,826	(76,643)
Accrued expenses	9,697	(5,515)
Net cash provided by operating activities	109,804	21,778
Cash flows from investing activities:		
Purchase of property and equipment	(15,054)	(14,490)
Proceeds from sale of property and equipment	-	25,305
Net cash provided by (used in) operating activities	(15,054)	10,815
Net increase in cash and cash equivalents	94,750	32,593
Cash and cash equivalents at the beginning of year	799,577	766,984
Cash and cash equivalents at the end of year	$ 894,327	$ 799,577
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 178	$ 13,833

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, 2015, the Organization has chapters in Philadelphia, Baltimore, Washington D.C., Boston, Chicago, Dallas, Indianapolis, Atlanta, New York City, Austin and Los Angeles. 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.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity. The Organization does not have any permanently restricted net assets.

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 2012. 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 collectability. Past due amounts are individually analyzed for collectability and written off when all efforts at collection have been exhausted.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Inventory

Inventory is stated at average cost as 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 Residential 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

Restricted and Unrestricted Revenue

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are classified as unrestricted net assets.

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

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 29, 2016, which is the date the financial statements were available to be issued.

(3) Concentration of Credit Risk

The Organization maintains interest-bearing cash balances in multiple financial institutions and, at times, balances may exceed federally insured limits.

(4) Contributions Receivable

Contributions receivable, net consists of the following at December 31:

	2015	2014
Receivable in less than one year	$ 1,296,087	$ 1,242,693
Due in 2017	215,800	-
Total contributions receivable	1,511,887	1,242,693
Allowance for doubtful accounts	(85,000)	(50,000)
Contributions receivable, net	$ 1,426,887	$ 1,192,693

Bad debt expense for the years ended December 31, 2015 and 2014 was $152,310 and $58,152, respectively.

(5) Inventory

Inventory consists of the following at December 31:

	2015	2014
Merchandise for resale	$ 25,744	$ 32,580
Gear for program participants	53,619	64,307
	$ 79,363	$ 96,887

(6) Property and Equipment

Property and equipment consist of the following at December 31:

	2015	2014
Computers and software	$ 63,677	$ 48,623
Furniture and fixtures	5,815	5,815
Website	142,724	76,000
Construction-in-progress	-	66,724
	212,216	197,162
Accumulated depreciation	(142,561)	(92,358)
	$ 69,655	$ 104,804

Depreciation expense for the years ended December 31, 2015 and 2014 was $11,525 and $14,062, respectively. Amortization expense for the years ended December 31, 2015 and 2014 was $38,678 and $30,894, respectively.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or programs at December 31:

	2015	2014
Events	$ 1,100,153	$ 921,326
Program services	305,034	321,486
Fundraising	190,516	177,682
Time restricted contributions	74,650	-
	$ 1,670,353	$ 1,420,494

(8) Gross Profit on Sales

The value of gross profit on sales for the years ended December 31, are as follows:

	2015	2014
Sales of merchandise	$ 10,276	$ 17,060
Cost of goods sold	(6,836)	(14,389)
	$ 3,440	$ 2,671

(9) Contributed Goods and Services

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

	2015	2014
Event expenses	$ 487,546	$ 399,537
Program gear	78,315	120,376
Occupancy and other rent expenses	56,588	63,501
Professional fees, legal services	188,326	61,769
Race expenses	57,262	43,490
Other program expenses	6,946	32,209
Transportation, travel and lodging	16,058	32,518
Professional fees, tech support	800	3,750
Other expenses	6,056	30,250
	$ 897,897	$ 787,400

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 2015. 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.

(10) Retirement Plan

The Organization instituted a Simple IRA plan effective April 15, 2011. The Organization contributes the lesser of 3% of the gross salary or $11,500 for all eligible employees. An employee who earned at least $5,000 during any two preceding years and who is expected to earn $5,000 in the coming year is eligible. For the years ended December 31, 2015 and 2014, contributions to the plan amounted to $25,884 and $20,195, respectively.

(11) 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, 2017. Minimum future rentals payable under these leases are:

Years Ending December 31,	Amount
2016	$ 79,558
2017	51,549
2018	44,083
2019	45,083
2020	46,083
	$ 266,356

Rent expense for the years ended December 31, 2015 and 2014 was $196,481 and $214,950, respectively.

(12) 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, 2015 and 2014, the Organization contracted to receive services from various companies in 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.

(13) Line of Credit

In July 2015, the Organization signed a $200,000 Revolving Line of Credit Agreement with a bank subject to a fixed interest rate of 2.49% for the first twelve months. After twelve months, the line of credit will be subject to a variable interest rate as provided in the agreement, with a floor of 3.5%. The line of credit is collateralized by all accounts receivables, inventory, and equipment of the Organization. There is no outstanding balance on the line of credit at December 31, 2015.

SUPPLEMENTARY INFORMATION

Back on My Feet

Supplementary Information
Schedule of Functional Expenses
Year Ended December 31, 2015 (with Comparative Totals for December 31, 2014)

	2015					2014
	Program Services	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total	Total
Salaries and wages	$ 1,772,947	$ -	$ 168,448	$ 629,050	$ 2,570,445	$ 2,637,103
Employee benefits	107,542	-	22,593	27,427	157,562	180,488
Payroll taxes	135,421	-	14,016	46,593	196,030	218,617
Total salaries and related expenses	2,015,910	-	205,057	703,070	2,924,037	3,036,208
Event expenses	103,566	964,197	-	103,567	1,171,330	830,867
Online processing fees	-	-	-	94,556	94,556	88,269
Interest	-	-	178	-	178	13,833
Insurance	15,896	-	2,271	4,541	22,708	32,651
Bad debt expense	-	-	-	152,310	152,310	58,152
Miscellaneous	32,571	-	8,099	13,399	54,069	55,633
Occupancy and other rent expenses	165,309	-	32,362	51,542	249,213	253,012
Other direct program expenses	70,448	-	-	-	70,448	98,207
Postage and shipping	11,651	-	647	647	12,945	10,412
Printed materials	6,485	-	541	3,784	10,810	17,467
Professional fees	206,588	-	55,759	114,292	376,639	420,435
Program gear expense	154,468	-	-	-	154,468	177,213
Program financial aid and incentives	169,689	-	-	-	169,689	218,692
Race expenses	137,737	-	-	97,397	235,134	158,753
Supplies	5,824	-	485	3,398	9,707	19,116
Telecommunications	25,236	-	462	4,817	30,515	29,798
Transportation, travel and lodging	55,850	-	4,736	34,144	94,730	103,655
Depreciation and amortization	15,433	-	19,339	15,431	50,203	44,956
Total expenses	$ 3,192,661	$ 964,197	$ 329,936	$ 1,396,895	$ 5,883,689	$ 5,667,329
Percentage to total expenses	54%	16%	6%	24%	100%	100%