

ROAD RECOVERY FOUNDATION, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

BARRY POPICK, CPA

**ROAD RECOVERY FOUNDATION, INC.
TABLE OF CONTENTS
DECEMBER 31, 2019**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-12

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Road Recovery Foundation, Inc.
New York, New York

I have audited the accompanying financial statements of Road Recovery Foundation, Inc. which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Road Recovery Foundation, Inc. as of December 31, 2019, and the results of its operations, its cash flows and its functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANT

October 26, 2020

ROAD RECOVERY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash	\$	-
Pledges and grants receivable		198,213
		<u>15,763</u>
TOTAL ASSETS	\$	<u><u>213,976</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	<u>6,149</u>
Net assets		
Without donor restrictions		150,331
With donor restrictions		<u>57,496</u>
		<u><u>207,827</u></u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>213,976</u></u>

See accompanying notes to the financial statements.

ROAD RECOVERY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	333,138	\$ 108,000	\$ 441,138
Program services	10,742	-	10,742
Performance fees	13,985	-	13,985
Interest income	1,638	-	1,638
Net assets released from restrictions	<u>104,066</u>	<u>(104,066)</u>	<u>-</u>
 Total revenues	 <u>463,569</u>	 <u>3,934</u>	 <u>467,503</u>
EXPENSES			
Program expenses	289,427	-	289,427
Support services			
Management and general	105,601	-	105,601
Fund raising	<u>44,073</u>	<u>-</u>	<u>44,073</u>
 Total expenses	 <u>439,101</u>	 <u>-</u>	 <u>439,101</u>
 CHANGE IN NET ASSETS	 24,468	 3,934	 28,402
 NET ASSETS BEGINNING	 <u>125,863</u>	 <u>53,562</u>	 <u>179,425</u>
 NETASSETS END	 <u><u>150,331</u></u>	 <u><u>\$ 57,496</u></u>	 <u><u>\$ 207,827</u></u>

See accompanying notes to the financial statements.

ROAD RECOVERY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:

Changes in net assets	\$ 28,402
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in assets and liabilities:	
Pledges and grants receivable	12,299
Accounts payable and accrued expenses	<u>(4,767)</u>
Net cash provided by operating activities	<u>35,934</u>
NET CHANGE IN CASH	35,934
CASH-BEGINNING	<u>162,279</u>
CASH-END	<u><u>\$ 198,213</u></u>

Supplemental disclosures of cash flow information

Non-cash transactions

In-kind contributions	<u><u>\$ 10,491</u></u>
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See accompanying notes to the financial statements.

ROAD RECOVERY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Category	Program Services					Supporting Services			Total
	OASAS Trax	RoadTrax at BronxConnect	RecoveryTrax	Other	Program Services Total	Management and General	Fund Raising	Total Manage- ment and General and Fund Raising	
Administrative personnel	\$ 24,584	\$ 28,980	\$ 11,406	\$ -	\$ 64,970	\$ 54,198	\$ 26,454	\$ 80,652	\$ 145,622
Program personnel	49,717	39,200	25,419	2,400	116,736	-	-	-	116,736
Professional fees	1,500	2,750	1,750	-	6,000	50	2,400	2,450	8,450
Production costs	33,498	4,063	1,154	-	38,715	64	-	64	38,779
Rent	-	-	15,100	-	15,100	20,400	1,000	21,400	36,500
Travel, automobile and entertainment	8,424	4,784	4,962	120	18,290	8,817	8,968	17,785	36,075
Insurance	3,552	3,156	246	-	6,954	3,736	-	3,736	10,690
Payroll taxes	5,324	4,563	2,860	209	12,956	4,721	2,304	7,025	19,981
Accounting fees	2,098	2,098	1,049	-	5,245	8,663	2,500	11,163	16,408
Telephone	1,443	139	1,362	18	2,962	3,908	82	3,990	6,952
Other expenses	356	95	1,048	-	1,499	1,044	365	1,409	2,908
	<u>\$ 130,496</u>	<u>\$ 89,828</u>	<u>\$ 66,356</u>	<u>\$ 2,747</u>	<u>\$ 289,427</u>	<u>\$ 105,601</u>	<u>\$ 44,073</u>	<u>\$ 149,674</u>	<u>\$ 439,101</u>

See accompanying notes to the financial statements.

ROAD RECOVERY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1- ORGANIZATION

Nature of Activities

Road Recovery Foundation, Inc. (the “Organization”), is an entertainment industry-based not-for-profit corporation formed in New York. The mission of the Organization is dedicated to helping young people battle addiction and other adversities by empowering at-risk youth from all backgrounds to face the struggles, while teaching them comprehensive life skills. Guided by entertainment industry professionals who have confronted similar life struggles, and with support from the mental health field, the Organization’s action driven programs provide mentorship, performance workshops, and “all access” opportunities for a community of motivated peers to create and produce live concert events and studio recording projects. The Organization derives revenue from its services, institutions and individuals. Its activities are primarily carried out in the New York metropolitan area.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. Accordingly, the Organization’s resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Without donor restriction – Include expendable resources that are used to carry out the organization’s operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions maybe designated for specific purposes by the Organization or maybe limited by contractual agreements with outside parties.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for distribution to the beneficiary agencies, subject to the Organization’s spending policies.

Support and Revenue

Revenues and other assets are reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions and are allocated to functional categories depending upon the ultimate purpose of the expenditures.

ROAD RECOVERY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Support and Revenue-(continued)

Releases of net assets with donor restrictions which include either satisfaction of a donor requirement or the passage of time are reported as net assets released from restrictions in the statement of activities.

Program service revenues have been derived mainly from providing program services to institutions, agencies and individuals, mainly from Trax at New York State OASAS Youth Clubhouses, RoadTrax at BronxConnect, and RecoveryTrax programs.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, pledges receivable, accounts receivable, accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these investments.

Pledges and Grants Receivable

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Pledges receivable are funds pledged by donors to the Organization in writing. They have been pledged at various times over no specific period of time. The purpose of these pledges is to finance current programs offered as well as the operation of the Organization.

In-Kind Contributions

The Organization records various types of contributed support, including services. The Organization recognizes certain services received if these services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated by management between the programs and supporting services benefitted. Expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Professional fees	Directly charged
Production costs	Directly charged

ROAD RECOVERY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Functional Expenses-(continued)

<u>Expense</u>	<u>Method of Allocation</u>
Rent	Space utilized
Travel, automobile and entertainment	Directly charged
Accounting fees	Time allocated
Telephone and internet	Usage
Other expenses	Directly charged

Estimates

Management of the Organization uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenue, support and expenses. Actual results could vary from the estimates that management uses.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-4, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses both by their natural and functional classifications.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the goods or services. ASU 2014-09 will replace most existing revenue guidance in U.S. GAAP, including industry specific guidance, when it becomes effective. This guidance is effective for years beginning after December 15, 2018. The Organization is currently completing its initial assessment and evaluation of the impact that ASU2014-09 will have on the Organization’s financial statements and related disclosures. The Organization expects, at a minimum, the adoption will expand disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenue and cash flows arising from contracts.

ROAD RECOVERY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

In June 2016, the FASB issued two standards that address the accounting for financial instruments ASU 2016-01, *Recognition and Measurement of Financial assets and Financial Liabilities*, which is effective for years beginning after December 31, 2018 which includes guidance for equity investments held by a not-for-profit organization and adds guidance on the comprehensibility of investments in debt securities. It also requires the measurement of certain equity investments such as venture capital funds, partnership interests in accordance with ASC 958-321

Accounting Pronouncements Issued Not Yet Effective

In June 2018 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (Topic 958)*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contribution) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date would be for fiscal years ending in 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the entity’s lease obligation. This ASU was originally effective for fiscal years beginning after December 15, 2019, but subsequently changed it to after December 15, 2022.

ASU 2016-13 *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 2020, requires the organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates. The organization is currently evaluating the effect that the pronouncement will have on its financial statements and related disclosures.

Tax-Exempt Status

The Organization qualifies as a tax-exempt organization within the meaning of section 501(c)(3) of the Internal Revenue Code. As a not-for-profit organization the Organization is also exempt from New York State income taxes. The Organization recognizes the effect of tax positions only when they are more likely than not to be sustained. At December 31, 2019, the Organization did not have any unrecognized tax benefits or liabilities. The Organization operates in the United States and in states and local jurisdictions, and the previous three years remain subject to

ROAD RECOVERY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Tax-Exempt Status (continued)

examination by tax authorities. There are presently no ongoing income tax examinations.

Evaluation of Subsequent Events By Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 26, 2020.

NOTE 3 FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019, financial assets and liquidity resources available within one year for general operating expenses were as follows:

Financial assets	
Cash	\$198,213
Pledges and grants receivable	<u>15,763</u>
	213,976
Less: Financial assets unavailable for general expenditures	
Net assets restricted for specific purpose	<u>57,496</u>
Total financial assets and liquidity resources available within one year	<u>\$156,480</u>

The Organization's goal is to maintain financial assets on hand to fund fixed operating expenses as required. The Organization receives grants and contributions annually from donors to fund program activities and other costs and structures its financial assets to be available as these expenditures become due.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions	
RoadTrax program	<u>\$57,496</u>

Net assets released from donor restrictions by incurring expenses satisfying the time or purpose restrictions specified by the donor as follows:

RoadTrax program	\$104,066
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NOTE 5 IN-KIND CONTRIBUTIONS

Certain entities donated services of a specialized nature during the year. The nature, amount and activities for which these services were utilized are shown below:

ROAD RECOVERY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

IN-KIND CONTRIBUTIONS (continued)

<u>Nature of service</u>	<u>Activity utilized in</u>	<u>Amount</u>
Accounting	Program and general	<u>\$10,491</u>

The services indicated above were provided by either members of the Board of Directors or by organizations related to the members. These amounts have been recorded as contributions and as accounting and professional expenses in the statement of activities.

NOTE 6 RELATED PARTY TRANSACTIONS

During the year, the organization received donations totaling \$75,632 from several Board of Directors members. In addition, Board members also donated services (see Note 5)

NOTE 7 LEASING ARRANGEMENTS

The Organization leases space on a month-to-month basis in New York, NY under an amended sub-tenant agreement. The organization and the tenant agree to notify, in writing, to the other party within sixty (60) days in advance to change or terminate the amended sub-tenant agreement. Rent expense for the year ended December 31, 2019 was \$36,500.

In 2020 the Organization terminated the sub-lease, and has been operating from a home office.