

WINNING FUTURES
FINANCIAL STATEMENTS
December 31, 2019

Independent Auditors' Report

To the Board of Directors of
Winning Futures

We have audited the accompanying financial statements of Winning Futures (a Nonprofit Organization), which comprise the Statement of Financial Position as of December 31, 2019 and the related Statements of Activities, Functional Expenses and Cash Flows 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.

Auditors' 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 financial position of Winning Futures as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Shindel Rock

April 30, 2020

WINNING FUTURES
STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2019

ASSETS

Current Assets	
Cash	\$ 1,008,800
Marketable Securities	1,717,388
Prepaid Expenses	<u>11,700</u>
Total Current Assets	2,737,888
Property and Equipment	
Equipment	11,884
Leasehold Improvements	4,995
Less Accumulated Depreciation	<u>(5,111)</u>
Net Property and Equipment	<u>11,768</u>
TOTAL ASSETS	<u><u>\$ 2,749,656</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued Liabilities	\$ 238
Accrued Wages and Payroll Taxes	47,055
Deferred Revenue	<u>33,315</u>
Total Current Liabilities	<u>80,608</u>
TOTAL LIABILITIES	80,608
Net Assets	
Without Donor Restrictions	1,934,308
With Donor Restrictions Time Restricted	705,123
With Donor Restrictions Scholarship	<u>29,617</u>
Total Net Assets	<u>2,669,048</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,749,656</u></u>

The Accompanying Notes and Independent Auditors' Report
Should be Read with these Financial Statements

WINNING FUTURES
STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

Changes in Net Assets Without Donor Restrictions

Revenue, Gains and Other Support	
Contributions	\$ 465,290
Grants	75,437
Donated Goods and Services	305,754
Program Service Fees, net of costs	23,000
Special Events	276,141
Loss on Disposal of Property and Equipment	(712)
Investment Income, net	<u>229,037</u>

Total Revenue, Gains and Other Support Without Donor Restriction: 1,373,947

Net Assets Released from Restrictions	
Expiration of Time Restrictions	438,253
Scholarships Awarded	<u>32,607</u>

Total Net Assets Released from Restrictions 470,860

Total Revenues, Gains and Other Support Without Donor Restrictions 1,844,807

Expenses	
Program Services:	
Education and Training	1,127,828
Supporting Services:	
Fund Raising	206,631
General Management	61,716
Total Expenses	<u>1,396,175</u>
Increase in Net Assets Without Donor Restrictions	<u>448,632</u>

Changes in Net Assets With Donor Restrictions

Contributions	522,662
Grants	202,460
Net Assets Released from Restrictions	<u>(470,860)</u>
Increase in Net Assets With Donor Restrictions	<u>254,262</u>

Increase in Net Assets 702,894

NET ASSETS - Beginning of Year 1,966,154

NET ASSETS - End of Year \$ 2,669,048

WINNING FUTURES
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Supporting Activities		Total
	Mentoring and Training	Fundraising	General Management	
Salaries and Related Expenses				
Officers and Directors Salaries	\$ 82,500	\$ 22,404	\$ 10,096	\$ 115,000
Salaries and Wages - Other	517,980	72,719	11,110	601,809
Employee Benefits	31,864	-	-	31,864
Employer 401 (k) Match	9,636	-	-	9,636
Payroll Taxes	63,653	10,050	2,375	76,078
Salaries and Related Expenses	<u>705,633</u>	<u>105,173</u>	<u>23,581</u>	<u>834,387</u>
Accounting Fees	-	-	11,000	11,000
Advertising Expenses	1,826	-	-	1,826
Awards and Grants - Individuals	32,607	-	-	32,607
Conference, Convention and Meetings	4,070	-	-	4,070
Depreciation	3,636	-	-	3,636
Donated Facilities	42,000	-	-	42,000
Donated Materials and Supplies	25,138	14,895	-	40,033
Donated Services	207,483	3,560	12,677	223,720
Insurance - Non-employee	2,909	-	4,813	7,722
Meals	3,022	1,710	114	4,846
Membership Dues - Organization	7,995	-	-	7,995
Merchant Credit Card Fees	102	6,308	-	6,410
Other Expenses	120	-	50	170
Postage	1,889	27	25	1,941
Printing and Copying	5,565	808	-	6,373
Professional Fees - Other	14,377	1,635	8,872	24,884
Software Subscriptions	5,986	795	-	6,781
Supplies	41,163	70,493	80	111,736
Telephone and Telecommunications	500	-	-	500
Temporary Help - Contract	7,500	-	-	7,500
Travel and Meetings Expense - Other	8,877	1,225	504	10,606
Volunteer Background Checks	5,431	-	-	5,431
Total Expenses	<u><u>\$ 1,127,828</u></u>	<u><u>\$ 206,631</u></u>	<u><u>\$ 61,716</u></u>	<u><u>\$ 1,396,175</u></u>

The Accompanying Notes and Independent Auditors' Report
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WINNING FUTURES
STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

Cash Flows from Operating Activities

Increase in Net Assets	\$ 702,894
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	3,636
Loss on Disposal of Property and Equipment	712
Net Realized and Unrealized Gain on Marketable Securities	(195,356)
Change in Operating Assets	
Increase in Prepaid Expenses	(7,500)
Change in Operating Liabilities	
Decrease in Accrued Liabilities	(2,450)
Increase in Deferred Revenue	33,315
Net Cash Provided by Operating Activities	<u>535,251</u>
 Cash Flows from Investing Activities	
Marketable Securities, net	<u>(144,283)</u>
Net Cash Used in Investing Activities	<u>(144,283)</u>
 Net Increase in Cash	<u>390,968</u>
 Cash, Beginning of Year	<u>617,832</u>
 Cash, End of Year	<u><u>\$ 1,008,800</u></u>
 Supplemental Disclosure of Noncash Investing Activity:	
Donated Stock	<u><u>\$ 10,045</u></u>

The Accompanying Notes and Independent Auditors' Report
Should be Read with these Financial Statements

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Winning Futures (the “Organization”) is a Michigan not for profit organization operating in metropolitan Detroit. The Organization operates full service mentoring programs in seven schools and provides college scholarships to high school students. The Organization is supported primarily through business and individual donor contributions, grants and special events.

Basis of Accounting - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Net assets - Net assets of the Organization are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. This class also includes assets previously restricted where restrictions have expired or been met. At December 31, 2019, the Organization had \$1,934,308 in net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and/or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are stipulated by the donor. See Note 3.

Cash - For purposes of the statement of cash flows, cash is comprised of the Organization’s cash in a financial institution.

Concentration of Credit Risk -The Organization maintained cash balances in bank accounts with one financial institution, which are federally insured. The Organization monitors cash balances and should the balance exceed federally insured limits believes the risk associated with this concentration is minimal. At December 31, 2019 the Organization had uninsured balances totaling \$637,017.

Marketable Securities - The Organization values marketable securities at their fair values in the Statement of Financial Position. The securities consist of investments in cash and cash equivalents, exchange traded products and exchange traded funds. Investment income, including unrealized gains and losses, net of investment fees, are included in total revenue, gains and other support without donor restrictions in the accompanying Statement of Activities.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED

Property and Equipment - Purchased furniture and equipment are carried at cost. The Organization has no property and equipment acquired with explicit restrictions. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Useful lives are as follows:

Equipment	3-5 years
Leasehold Improvements	10 years

Major replacements and improvements are capitalized, while ordinary maintenance and repairs are expensed. The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from accounts and any resulting gain or loss is included in other income (expense).

Depreciation expense totaled \$3,636 for the year ended December 31, 2019.

Donated Revenue and Support - Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires, 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.

Donated Services - Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services relating to mentoring and training, in the amount of \$207,483 are included in contributions and the corresponding program expenses for the year ended December 31, 2019. Such services related to training provided by professional service organizations and trained mentors. Donated services relating to general management and fundraising in the amount of \$16,237 are included in contributions and the corresponding support service expenses for the year ended December 31, 2019.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service (“IRS”) as a corporation. Management of the Organization believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED

Estimates - The preparation of financial statements in conformity 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 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. Actual results could differ from those estimates.

Functional Expenses Allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management. The expenses that are allocated include salaries and related expenses, which are allocated on the basis of estimates of time and effort and insurance which is based on square footage of the facilities used.

Advertising - Advertising costs are charged to expense as incurred. Advertising expense totaled \$1,826 for the year ended December 31, 2019.

NOTE 2 – GOVERNING BOARD DESIGNATED FUND

The Organization's Governing Board (the "Board") approved the establishment of a designated fund. The purpose of the fund is to segregate funds for investment and growth. The Board adopted a policy whereby a portion of contributions made to the Organization without donor restrictions are added to the fund at the Board's discretion. The Board has the right to vote on the use of these funds. It is the goal of the Board to invest with moderate-aggressive level of risk with a goal of a 7-10% return. The annual rate of return for the year ended December 31, 2019 was approximately 9.75%. During 2019 \$110,000 was transferred to the designated fund. The balance in the designated fund totals \$1,273,186 at December 31, 2019.

NOTE 3 – RESTRICTIONS ON NET ASSETS

At December 31, 2019 the Organization has \$705,123 of net assets with donor time restrictions which are available for mentoring programs and operations to be used in the school year ending in 2020. At December 31, 2019 the Organization has \$29,617 of net assets with donor restrictions which are available for scholarships as they are awarded and due.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet six months of normal operating expenses, which are, on average, approximately \$540,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the designated fund discussed in Note 2, as part of the Organization's liquidity management, it maintains cash in excess of daily requirements in a savings account.

The Organization has \$2,726,188 of financial assets available within one year of the balance sheet date to meet cash needs for program and general expenditures consisting of cash of \$1,008,800 and marketable securities of \$1,717,388, including the designated fund discussed in Note 2, which is available if needed. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date except the \$29,617 of net assets with donor restrictions, which are available for scholarships as they are awarded and due, a portion of which may be in the next year.

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 5 – FAIR VALUE MEASUREMENTS – CONTINUED

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Valuation methodologies used for investments measured at fair value are as follows:

Cash and Cash Equivalents are cash on deposit at a financial institution.

Mutual funds are valued at quoted market prices at year end.

Exchange traded products and Exchange traded funds are funds that trade similar to publicly-traded securities. Similar to shares of an index mutual fund, each share of these funds represents a partial ownership in an underlying portfolio of securities intended to track a market index.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2019:

	<u>Fair Value</u>	Fair Value Measurements Using: <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Cash and Cash Equivalents	\$ 28,381	\$ 28,381
Exchange Traded Products and Funds and Mutual Funds	<u>1,689,007</u>	<u>1,689,007</u>
Total	<u>\$1,717,388</u>	<u>\$ 1,717,388</u>

See Independent Auditors’ Report

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 6 – RETIREMENT PLAN

The Organization participates in an employee leasing company’s (“PEO”) 401(k) Plan which covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their compensation to the Plan, up to the maximum amount permitted under section 401 (k) of the Internal Revenue Code. The Organization provides a qualified matching contribution of \$1.00 for each \$1.00 of employee deferral. The matching contribution is capped at \$1,000 per year per plan participant. The Organization’s contribution totaled \$9,636 for the year ended December 31, 2019.

NOTE 7 – CONTINGENCY

The PEO administers the Organization’s payroll and related benefits. The Organization remits payments to the PEO for payroll, taxes, insurance and other costs. Payments to the PEO for salaries and wages through December 31, 2019 totaled approximately \$717,400 of which approximately \$71,400 were for payroll taxes. The Organization is contingently liable in the event that any of its workforce costs are not satisfied by the PEO.

NOTE 8 – RISKS AND UNCERTAINTY IN THE MARKET

Due to uncertainties in the global and national marketplace due to COVID-19 coronavirus (“COVID-19”), and the impact these uncertainties could have on the economy, there exists a risk of a negative impact to the Organization’s financial results in the future. The Organization is actively monitoring and managing our risk and there has been no adjustment to these financial statements as a result of this situation.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 30, 2020 the date which the financial statements were available to be issued. As a result of the spread of the COVID-19, economic uncertainties have arisen which have negatively impacted the Organization. The spread of COVID-19 in the United States has caused significant business disruption through mandatory and/or voluntary closing of most businesses in Michigan and throughout the United States. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. At this point, the extent to which COVID-19 may impact the Organization’s financial condition, results of operations and cash flows cannot be reasonably estimated.