

WINNING FUTURES
FINANCIAL STATEMENTS
December 31, 2020

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, 2020 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, 2020, 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

July 13, 2021

WINNING FUTURES
STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2020

ASSETS

Current Assets	
Cash	\$ 1,088,524
Investments	2,101,894
Other Receivables	60,462
Prepaid Expenses	<u>4,600</u>
Total Current Assets	3,255,480
Property and Equipment	
Equipment	8,625
Leasehold Improvements	4,995
Less Accumulated Depreciation	<u>(5,272)</u>
Net Property and Equipment	<u>8,348</u>
TOTAL ASSETS	<u><u>\$ 3,263,828</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued Liabilities	\$ 688
Accrued Wages and Payroll Taxes	<u>61,356</u>
Total Current Liabilities	<u>62,044</u>
TOTAL LIABILITIES	62,044
Net Assets	
Without Donor Restrictions	2,679,274
With Donor Restrictions Time Restricted	509,135
With Donor Restrictions Scholarship	<u>13,375</u>
Total Net Assets	<u>3,201,784</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,263,828</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, 2020

Changes in Net Assets Without Donor Restrictions

Revenue, Gains and Other Support	
Contributions	\$ 307,241
Grants	138,650
Paycheck Protection Program Revenue	121,000
Donated Goods and Services	261,830
Special Events	299,509
Loss on Disposal of Property and Equipment	(1,195)
Investment Income, net	<u>155,481</u>

Total Revenue, Gains and Other Support Without Donor Restrictions 1,282,516

Net Assets Released from Restrictions

Expiration of Time Restrictions	705,123
Scholarships Awarded	<u>21,242</u>

Total Net Assets Released from Restrictions 726,365

Total Revenues, Gains and Other Support Without Donor Restrictions 2,008,881

Expenses

Program Services:	
Education and Training	971,566
Supporting Services:	
Fund Raising	225,225
General Management	<u>67,124</u>
Total Expenses	<u>1,263,915</u>

Increase in Net Assets Without Donor Restrictions 744,966

Changes in Net Assets With Donor Restrictions

Contributions	426,135
Grants	88,000
Net Assets Released from Restrictions	<u>(726,365)</u>
Decrease in Net Assets With Donor Restrictions	<u>(212,230)</u>

Increase in Net Assets 532,736

NET ASSETS - Beginning of Year 2,669,048

NET ASSETS - End of Year \$ 3,201,784

WINNING FUTURES
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services	Supporting Activities		Total
	Mentoring and Training	Fundraising	General Management	
Salaries and Related Expenses				
Officers and Directors Salaries	\$ 87,729	\$ 20,192	\$ 10,192	\$ 118,113
Salaries and Wages - Other	491,082	95,047	13,002	599,131
Employee Benefits	36,618	-	-	36,618
Employer 401 (k) Match	13,288	-	-	13,288
Payroll Taxes	41,814	19,911	4,055	65,780
Salaries and Related Expenses	<u>670,531</u>	<u>135,150</u>	<u>27,249</u>	<u>832,930</u>
Accounting Fees	-	-	11,527	11,527
Advertising Expenses	771	-	-	771
Awards and Grants - Individuals	21,402	-	-	21,402
Conference, Convention and Meetings	2,996	-	-	2,996
Depreciation	2,224	-	-	2,224
Donated Facilities	42,000	-	-	42,000
Donated Materials and Supplies	3,251	22,133	-	25,384
Donated Services	174,055	4,352	16,039	194,446
Insurance - Non-employee	4,710	-	3,198	7,908
Meals	1,109	-	-	1,109
Membership Dues - Organization	765	-	-	765
Merchant Credit Card Fees	-	2,693	-	2,693
Other Expenses	205	16	251	472
Postage	1,244	158	71	1,473
Printing and Copying	1,580	1,022	-	2,602
Professional Fees - Other	9,031	925	8,680	18,636
Software Subscriptions	5,993	400	-	6,393
Supplies	18,807	57,844	60	76,711
Telephone and Telecommunications	358	-	-	358
Temporary Help - Contract	5,930	-	-	5,930
Travel and Meetings Expense - Other	3,131	532	49	3,712
Volunteer Background Checks	1,473	-	-	1,473
Total Expenses	<u><u>\$ 971,566</u></u>	<u><u>\$ 225,225</u></u>	<u><u>\$ 67,124</u></u>	<u><u>\$ 1,263,915</u></u>

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

WINNING FUTURES
STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash Flows from Operating Activities

Increase in Net Assets	\$ 532,736
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	2,224
Loss on Disposal of Property and Equipment	1,195
Net Realized and Unrealized Gain on Marketable Securities	(125,239)
Change in Operating Assets	
Increase in Other Receivable	(60,462)
Decrease in Prepaid Expenses	7,100
Change in Operating Liabilities	
Increase in Accrued Liabilities	14,750
Decrease in Deferred Revenue	(33,315)
Net Cash Provided by Operating Activities	<u>338,989</u>

Cash Flows from Investing Activities

Marketable Securities, net	<u>(259,265)</u>
Net Cash Used in Investing Activities	<u>(259,265)</u>

 Net Increase in Cash 79,724

Cash, Beginning of Year 1,008,800

Cash, End of Year \$ 1,088,524

Supplemental Disclosure of Noncash Investing Activity:

Donated Stock	<u><u>\$ 10,091</u></u>
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WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2020, the Organization had \$2,679,274 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, 2020 the Organization had uninsured balances totaling \$804,882.

Investments - The Organization records investments at fair value in accordance with accounting principles generally accepted in the United States of America for investments held by not-for-profit organizations. This guidance requires that all investments in debt securities and equity securities with readily determinable fair values be recorded at fair value. Marketable securities are stated at fair value based on quoted prices. Realized and unrealized gains and losses are included in the Statement of Activities net of investment advisor fees.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

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

Investments – continued

The securities consist of investments in cash and cash equivalents, fixed income, an alternative investment, exchange traded products and exchange traded funds. See Note 5.

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	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 \$2,224 for the year ended December 31, 2020.

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 \$174,055 are included in contributions and the corresponding program expenses for the year ended December 31, 2020. 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 \$20,391 are included in contributions and the corresponding support service expenses for the year ended December 31, 2020.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

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

COVID19 Grants – The Organization received a *COVID19 Response Grant* in the amount of \$7,061 from Michigan College Access Network1 to provide college access services in 2020. The funds were used to pay eligible expenses and the Organization has recognized the funds as a contribution in the Statement of Activities.

During 2020, the Organization received Coronavirus Aid, Relief, and Economic Security Act (the “Cares Act”) funds in the amount of \$57,159 for funding for staffing, technology and supplies, of which \$17,159 has been recognized as contribution in the Statement of Activities and \$40,000 has been recorded as a net asset with a donor time restriction in the Statement of Financial Position at December 31, 2020.

The Organization has met the eligibility criteria and have accounted for the COVID 19 grants in accordance with FASB ASC 958-605 as contributions.

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.

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. Expenses are allocated on an actual basis, where available and on certain estimates 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 \$771 for the year ended December 31, 2020.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2020 was approximately 10.47%. During 2020 \$120,000 was transferred to the designated fund. The balance in the designated fund totals \$1,538,440 at December 31, 2020.

NOTE 3 – RESTRICTIONS ON NET ASSETS

At December 31, 2020 the Organization has \$509,135 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, 2020 the Organization has \$13,375 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.

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 \$3,190,418 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 \$1,088,524 and investments of \$2,101,894, 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 \$13,375 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.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

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.

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 and fixed income 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 Organization's Level 3 alternative investment is based on fair value determined by the company's board of directors and reviewed by the investment adviser's valuation committee.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 5 – FAIR VALUE MEASUREMENTS – CONTINUED

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, 2020:

	<u>(Level 1)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 217,036	\$ -	\$ 217,036
Exchange Traded Products and Funds and Mutual Funds	1,825,187	-	1,825,187
Fixed Income	20,074	-	20,074
Alternative Investment	<u>-</u>	<u>39,597</u>	<u>39,597</u>
Total	<u>\$2,062,297</u>	<u>\$ 39,597</u>	<u>\$ 2,101,894</u>

NOTE 6 – PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Organization received a loan in the amount of \$121,000 under the Payroll Protection Program ("PPP Loan"). The PPP Loan and accrued interest are forgivable after the covered period, up to 24-weeks, if the borrower uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, up to 24-weeks. The unforgiven portion of the PPP Loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first 10 months.

Effective November 17, 2020 the Organization's PPP Loan was approved for full forgiveness by the U.S. Small Business Administration. The Organization met the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant. As a result, the Organization has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a contribution. During the year ended December 31, 2020, the Organization used the entire proceeds for purposes consistent with the PPP, resulting in full forgiveness and recognition of the entire PPP Loan in the amount of \$121,000, as contribution revenue in the accompanying financial statements.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 7 – 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 \$13,288 for the year ended December 31, 2020.

NOTE 8 – 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, 2020 totaled approximately \$768,163 of which approximately \$60,362 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 9 – 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 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 13, 2021 the date on which the financial statements were available to be issued.

On January 28, 2021, the Organization received a PPP second draw loan in the amount of \$164,825.