

WINNING FUTURES
FINANCIAL STATEMENTS
December 31, 2023

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, 2023 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 Winning Futures as of December 31, 2023 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Winning Futures 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 the Michigan Association of Certified Public Accountants' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' 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 auditors' 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, including omissions, 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 Winning Futures'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 Winning Futures'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.

Shindel Rock

August 6, 2024

WINNING FUTURES
STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2023

ASSETS

Current Assets	
Cash	\$ 685,968
Certificates of Deposit	817,286
Investments	3,217,456
Inventory	11,250
Prepaid Expenses	<u>22,078</u>
Total Current Assets	4,754,038
Property and Equipment	
Equipment	8,625
Leasehold Improvements	4,995
Less Accumulated Depreciation	<u>(11,622)</u>
Net Property and Equipment	<u>1,998</u>
TOTAL ASSETS	<u><u>\$ 4,756,036</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued Liabilities	\$ 6,408
Accrued Wages and Payroll Taxes	<u>96,523</u>
Total Current Liabilities	<u>102,931</u>
TOTAL LIABILITIES	102,931
Net Assets	
Without Donor Restrictions	3,418,436
With Donor Restrictions Time Restricted	<u>1,234,669</u>
Total Net Assets	<u>4,653,105</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,756,036</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, 2023

Changes in Net Assets Without Donor Restrictions

Revenue, Gains and Other Support

Contributions	\$ 315,333
Grants	97,110
Donated Goods and Services	436,475
Program Service Fees, net of costs	5,000
Special Events	107,449
Investment Income, net	358,890

Total Revenue, Gains and Other Support Without Donor Restrictions	1,320,257
--	------------------

Net Assets Released from Restrictions

Expiration of Time Restrictions	1,102,980
Total Net Assets Released from Restrictions	1,102,980

Total Revenues, Gains and Other Support Without Donor Restrictions	2,423,237
---	------------------

Expenses

Program Services:	
Education and Training	1,658,838
Supporting Services:	
Fund Raising	340,451
General Management	76,808
Total Expenses	2,076,097

Increase in Net Assets Without Donor Restrictions	347,140
--	----------------

Changes in Net Assets With Donor Restrictions

Contributions	1,044,690
Grants	143,110
Net Assets Released from Restrictions	(1,102,980)
Increase in Net Assets With Donor Restrictions	84,820

Increase in Net Assets	431,960
-------------------------------	----------------

NET ASSETS - Beginning of Year	4,221,145
---------------------------------------	------------------

NET ASSETS - End of Year	\$ 4,653,105
---------------------------------	---------------------

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

WINNING FUTURES
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Supporting Activities		Total
	Mentoring and Training	Fundraising	General Management	
Salaries and Related Expenses				
Officers and Directors Salaries	\$ 90,384	\$ 25,000	\$ 9,615	\$ 124,999
Salaries and Wages - Other	808,372	158,977	14,428	981,777
Employee Benefits	47,536	-	-	47,536
Employer 401 (k) Match	8,749	-	-	8,749
Payroll Taxes	79,347	15,520	2,050	96,917
Salaries and Related Expenses	<u>1,034,387</u>	<u>199,497</u>	<u>26,093</u>	<u>1,259,978</u>
Accounting Fees	-	-	12,903	12,903
Advertising Expenses	1,859	-	-	1,859
Awards and Grants - Individuals	93,001	-	-	93,001
Conference, Convention and Meetings	709	20	-	729
Depreciation	-	-	1,901	1,901
Donated Facilities	44,000	-	-	44,000
Donated Materials and Supplies	67,246	42,640	-	109,886
Donated Services	301,788	-	17,550	319,339
Insurance - Non-employee	5,283	-	4,339	9,622
Meals	8,771	18,982	126	27,879
Membership Dues - Organization	7,221	-	60	7,281
Merchant Credit Card Fees	-	3,788	105	3,893
Other Expenses	72	4,387	149	4,608
Postage	1,844	67	287	2,198
Printing and Copying	7,209	1,620	-	8,829
Professional Fees - Other	12,807	1,656	12,639	27,102
Software Subscriptions	12,265	795	-	13,060
Supplies	42,639	64,540	395	107,574
Telephone and Telecommunications	498	-	-	498
Temporary Help - Contract	2,065	2,000	30	4,095
Travel	12,263	459	231	12,953
Volunteer Background Checks	2,910	-	-	2,910
Total Expenses	<u><u>\$ 1,658,838</u></u>	<u><u>\$ 340,451</u></u>	<u><u>\$ 76,808</u></u>	<u><u>\$ 2,076,097</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, 2023

Cash Flows from Operating Activities

Increase in Net Assets	\$ 431,960
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	1,901
Donated Laptops Included in Contributions	(11,250)
Use of Donated Laptops	48,000
Unrealized Gain on Marketable Securities	(250,823)
Change in Operating Assets	
Increase in Prepaid Expenses	(12,860)
Change in Operating Liabilities	
Increase in Accrued Liabilities	6,963
Net Cash Provided by Operating Activities	<u>213,891</u>

Cash Flows from Investing Activities

Purchase of Certificates of Deposit	(817,286)
Marketable Securities, net	<u>(215,709)</u>
Net Cash Used in Investing Activities	<u>(1,032,995)</u>

 Net Decrease in Cash (819,104)

Cash, Beginning of Year 1,505,072

Cash, End of Year \$ 685,968

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, 2023

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.

Classification of 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, 2023, the Organization had \$3,418,436 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 - Cash is comprised of the Organization’s cash in a financial institution.

Certificates of Deposits - is comprised of certificates of deposit with original maturities of greater than three months and one year or less. The certificates bear interest at rates ranging from 4.50% to 5.00% per annum at December 31, 2023 and have original maturities ranging from six to twelve months.

Concentration of Credit Risk -The Organization maintained cash balances in bank accounts with one financial institution and certificates of deposits, which are federally insured. The Organization monitors these balances and should the balance exceed federally insured limits believes the risk associated with this concentration is minimal. At December 31, 2023 the Organization had uninsured balances totaling \$1,239,652.

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, 2023

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 \$1,901 for the year ended December 31, 2023.

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.

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.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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 \$1,859 for the year ended December 31, 2023.

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, 2023 was approximately 12.37%. During 2023 \$125,000 was transferred to the designated fund. The balance in the designated fund totals \$2,229,353 at December 31, 2023.

NOTE 3 – RESTRICTIONS ON NET ASSETS

At December 31, 2023 the Organization has \$1,234,699 of net assets with donor time restrictions which are available for mentoring programs and operations to be used in the school year ending in 2024.

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, 2023

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 \$800,000. 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 \$4,720,710 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 \$685,968, certificates of deposit of \$817,286 and investments of \$3,217,456, 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.

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, 2023

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 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.

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, 2023:

	<u>(Level 1)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 70,880	\$ -	\$ 70,880
Exchange Traded Products and Funds and Mutual Funds	3,016,391	-	3,016,391
Fixed Income	89,738	-	89,738
Alternative Investment	-	40,447	40,447
Total	<u>\$3,177,009</u>	<u>\$ 40,447</u>	<u>\$ 3,217,456</u>

The Organization has no Level 2 investments at December 31, 2023.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2023

NOTE 6 – DONATED GOODS AND SERVICES

The Organization received the following noncash assets which are included in the accompanying Statement of Activities for the year ended December 31, 2023:

Professional Services	\$ 59,151
Other Services	260,188
Laptops	11,250
Other Donated Goods	61,886
Use of Facilities	44,000
Total Donated Goods and Services	<u>\$ 436,475</u>

Unless otherwise noted below, there are no donor restrictions for contributed nonfinancial assets.

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 are recorded based upon estimated fair values. Donated services relating to mentoring and training, in the amount of \$301,789 are included in contributions and the corresponding program expenses for the year ended December 31, 2023. 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 \$17,550 are included in contributions and the corresponding support service expenses for the year ended December 31, 2023.

Donated Laptops - Donated laptops are recorded as contribution revenue based upon estimated fair value. During 2023, six laptops donated in the prior year, with an estimated fair value of \$3,000, are utilized by the Organization in its mentoring program activities. Ninety laptops donated in the prior year, with an estimated fair value of \$45,000, were given to students under the Organization’s mentoring program activities. During 2023, an additional 50 laptops were donated with an estimated fair value of \$11,250 and are included in inventory at December 31, 2023, until they are given to the Organization’s students.

Other Donated Goods – Other donated goods consist primarily of materials and supplies. These items are recognized at estimated fair value, and recorded as a corresponding expense as they are used. The Organization values these items at either face value or estimated fair value on the date received depending on the nature of the items. Donated goods in the amount of \$42,640 are restricted for use in fundraising events. The events took place in 2023 and the expenses were recognized during 2023. The remaining donated goods in the amount of \$19,246, were not restricted and were all used in providing program services and expensed in 2023.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2023

NOTE 6 – DONATED GOODS AND SERVICES – CONTINUED

Donated Use of Facilities – The Organization operates out of one of the high schools to whom it provides student services, for which no consideration is paid by the Organization. The use of the facilities is given on a continuous basis subject to the donor’s cancellation. The Organization recognizes both contribution revenue and expense simultaneously in the period used, based on estimated fair value. Donated use of facilities are used in program services activities in the amount of \$44,000. See Note 10.

The Organization did not monetize any contributed nonfinancial assets. All contributed nonfinancial assets were utilized in 2023, except the inventory of donated laptops, in the amount of \$11,250, as noted above.

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 \$8,749 for the year ended December 31, 2023.

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, 2023 totaled approximately \$1,324,655 of which approximately \$217,880 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 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 its risk and there has been no adjustment to these financial statements as a result of this situation.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2023

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 6, 2024, the date on which the financial statements were available to be issued.

On May 1, 2024, the Organization entered into an eighty-seven month lease, for its operating facility, commencing on July 1, 2024.