

WINNING FUTURES
FINANCIAL STATEMENTS
December 31, 2018

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, 2018 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, 2018, 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 31, 2019

WINNING FUTURES
STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2018

ASSETS

Current Assets	
Cash	\$ 617,832
Marketable Securities	1,377,749
Prepaid Expenses	<u>4,200</u>
Total Current Assets	1,999,781
Property and Equipment	
Equipment	25,632
Leasehold Improvements	4,995
Less Accumulated Depreciation	<u>(14,512)</u>
Net Property and Equipment	<u>16,115</u>
TOTAL ASSETS	<u><u>\$ 2,015,896</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 512
Accrued Liabilities	1,803
Accrued Wages and Payroll Taxes	<u>47,427</u>
Total Current Liabilities	<u>49,742</u>
TOTAL LIABILITIES	49,742
Net Assets	
Without Donor Restrictions	1,485,677
With Donor Restrictions Time Restricted	438,253
With Donor Restrictions Scholarship	<u>42,224</u>
Total Net Assets	<u>1,966,154</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,015,896</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, 2018

Changes in Net Assets Without Donor Restrictions

Revenue, Gains and Other Support

Contributions	\$	309,677
Grants		5,064
Donated Goods and Services		298,430
Program Service Fees, net of costs		(535)
Special Events		453,705
Investment Loss, net		(72,967)

Total Revenue, Gains and Other Support Without Donor Restriction:		<u>993,374</u>
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Net Assets Released from Restrictions

Expiration of Time Restrictions		458,489
Scholarships Awarded		<u>20,576</u>

Total Net Assets Released from Restrictions		<u>479,065</u>
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Total Revenues, Gains and Other Support Without Donor Restrictions		<u>1,472,439</u>
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Expenses

Program Services:		
Education and Training		1,058,389
Supporting Services:		
Fund Raising		229,540
General Management		<u>64,953</u>
Total Expenses		<u>1,352,882</u>
Increase in Net Assets Without Donor Restrictions		<u>119,557</u>

Changes in Net Assets With Donor Restrictions

Contributions	\$	351,836
Grants		111,545
Net Assets Released from Restrictions		(479,065)
Decrease in Net Assets With Donor Restrictions		<u>(15,684)</u>

Increase in Net Assets		103,873
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NET ASSETS - Beginning of Year		<u>1,862,281</u>
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NET ASSETS - End of Year		<u><u>\$ 1,966,154</u></u>
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WINNING FUTURES
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services	Supporting Activities		Total
	Mentoring and Training	Fundraising	General Management	
Salaries and Related Expenses				
Officers and Directors Salaries	\$ 45,916	\$ 44,853	\$ 14,951	\$ 105,720
Salaries and Wages - Other	477,058	72,018	11,388	560,464
Employee Benefits	11,132	-	-	11,132
Employer 401 (k) Match	32,678	-	-	32,678
Payroll Taxes	52,039	10,753	1,855	64,647
Salaries and Related Expenses	<u>618,823</u>	<u>127,624</u>	<u>28,194</u>	<u>774,641</u>
Accounting Fees	-	-	8,540	8,540
Advertising Expenses	472	-	125	597
Awards and Grants - Individuals	18,905	-	-	18,905
Conference, Convention and Meetings	8,640	-	-	8,640
Depreciation	2,648	-	-	2,648
Donated Facilities	44,000	-	-	44,000
Donated Materials and Supplies	27,583	22,272	-	49,855
Donated Services	187,452	3,457	13,666	204,575
Equipment Rental	176	-	-	176
Insurance - Non-employee	2,891	-	4,813	7,704
Meals	2,857	23,673	37	26,567
Membership Dues - Organization	5,947	-	155	6,102
Merchant Credit Card Fees	250	4,053	-	4,303
Other Expenses	960	628	51	1,639
Postage	3,020	196	134	3,350
Printing and Copying	9,950	143	-	10,093
Professional Fees - Other	49,414	-	8,666	58,080
Software Subscriptions	4,503	-	-	4,503
Supplies	45,898	44,308	78	90,284
Telephone and Telecommunications	386	-	-	386
Temporary Help - Contract	9,355	2,435	200	11,990
Travel and Meetings Expense - Other	8,519	751	294	9,564
Volunteer Background Checks	5,740	-	-	5,740
Total Expenses	<u><u>\$ 1,058,389</u></u>	<u><u>\$ 229,540</u></u>	<u><u>\$ 64,953</u></u>	<u><u>\$ 1,352,882</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, 2018

Cash Flows from Operating Activities

Increase in Net Assets	\$ 103,873
Adjustments to Reconcile Change in Net Assets to Net Cash provided by Operating Activities	
Depreciation	2,648
Net Realized and Unrealized Loss on Marketable Securities	98,799
Change in Operating Assets	
Decrease in Inventory	1,285
Decrease in Prepaid Expenses	3,000
Change in Operating Liabilities	
Increase in Accrued Liabilities	433
Net Cash Provided by Operating Activities	<u>210,038</u>

Cash Flows from Investing Activities

Purchases of Property and Equipment	(8,625)
Marketable Securities, net	<u>(49,619)</u>
Net Cash Used in Investing Activities	<u>(58,244)</u>

Net Increase in Cash 151,794

Cash, Beginning of Year 466,038

Cash, End of Year \$ 617,832

Supplemental Noncash Investing Activity:

 Donated Stock \$ 15,127

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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 thirteen 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.

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, 2018 the Organization had uninsured balances totaling \$337,334.

Marketable Securities - The Organization values marketable securities at their fair values in the Statement of Financial Position. The securities consist of investments in money market funds, mutual funds, exchange traded funds and common stock. Unrealized gains and losses are included in the change in net assets. 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.

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

Depreciation expense totaled \$2,648 for the year ended December 31, 2018.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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

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 \$187,452 are included in contributions and the corresponding program expenses for the year ended December 31, 2018. 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 \$17,123 are included in contributions and the corresponding support service expenses for the year ended December 31, 2018. Such services mainly related to payroll and help desk services provided by outside professional service companies.

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 certain reported amounts and disclosures. Accordingly, 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. 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.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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

Advertising - Advertising costs are charged to expense as incurred. Advertising expense totaled \$597 for the year ended December 31, 2018.

Adoption of New Accounting Pronouncement - Effective January 1, 2018 the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Accordingly the Organization has adjusted the presentation of the financial statements. The main impacts of the adoption of the new accounting principle on the Organization are as follows:

Change in net assets classifications to two categories as follows: i) Without Donor Restrictions from Unrestricted and ii) With Donor Restrictions from Restricted. The Organization has no permanently restricted net assets thus there was no impact on such reclassifications.

Investment income is reported net of investment fees in the accompanying Statement of Activities.

Provided new disclosures on liquidity and availability of resources.

The Organization continues to provide the statement of functional expenses reporting with expanded disclosure.

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. During 2018 \$15,000 was transferred to the designated fund. The balance in the designated fund totals \$980,854 at December 31, 2018.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 3 – RESTRICTIONS ON NET ASSETS

At December 31, 2018 the Organization has \$438,253 of net assets with donor time restrictions which are available for mentoring programs and operations to be used in the next year for the school year ending in 2019. At December 31, 2018 the Organization has \$42,224 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 \$490,000. 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 \$1,999,781 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 \$617,832 and marketable securities of \$1,377,749, 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 \$42,224 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.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 5 – FAIR VALUE MEASUREMENTS – CONTINUED

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:

Money market funds are cash on deposit at a financial institution.

Common stock is valued at quoted market prices at year end.

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

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.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 5 – FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth, by level within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2018:

	Fair Value	Fair Value Measurements Using: <u>Quoted Prices in Active Markets for Identical Assets</u> (Level 1)
Money Market Funds	\$ 75,673	\$ 75,673
Common Stock	14,505	14,505
Exchange Traded Funds	877,285	877,285
Mutual Funds	<u>410,286</u>	<u>410,286</u>
 Total	 <u><u>\$1,377,749</u></u>	 <u><u>\$ 1,377,749</u></u>

NOTE 6 – RELATED PARTIES

A board member is an employee of the Organization’s financial institution. No board compensation was paid to this board member.

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 \$11,132 for the year ended December 31, 2018.

WINNING FUTURES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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, 2018 totaled \$723,269 of which approximately \$58,716 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 – CONCENTRATION OF RISK

Approximately 12% of the Organization's support for the year ended December 31, 2018 came from one business donor.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 31, 2019 the date which the financial statements were available to be issued.