

ROAD RECOVERY FOUNDATION, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
DECEMBER 31, 2015

ROAD RECOVERY FOUNDATION, INC.

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Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Road Recovery Foundation, Inc., which comprise the statement of financial position as of December 31, 2015, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 organization'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 organization'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 Road Recovery Foundation, Inc. as of December 31, 2015, 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.

A handwritten signature in cursive script that reads "Silling & Company". The signature is written in black ink and is positioned above the printed text of the firm's name.

***CERTIFIED PUBLIC ACCOUNTANTS
GREAT NECK, NEW YORK
November 7, 2016***

ROAD RECOVERY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Cash	\$ 60,139
Accounts receivable	<u>4,600</u>
	<u><u>\$ 64,739</u></u>

LIABILITIES

Accrued expenses	\$ 3,783
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NET ASSETS

Net assets - unrestricted	<u>60,956</u>
	<u><u>\$ 64,739</u></u>

See notes to financial statements

ROAD RECOVERY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

REVENUE AND SUPPORT

Contributions and grants	\$ 158,181
Program services	46,003
Performance fees	<u>13,224</u>
	<u>217,408</u>

EXPENSES

Program expenses	142,984
Management and general	81,348
Fund raising	<u>38,835</u>
	<u>263,167</u>

CHANGE IN UNRESTRICTED NET ASSETS (45,759)

NET ASSETS (UNRESTRICTED) - BEGINNING 106,715

NET ASSETS (UNRESTRICTED) - END \$ 60,956

See notes to financial statements

ROAD RECOVERY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities

Change in net assets \$ (45,759)

Adjustments to reconcile change in net assets to
net cash used in operating activities:

Depreciation 91

Changes in assets and liabilities:

Accounts receivable 3,600

Accrued expenses (2,035)

Total adjustments 1,656

Net cash used in operating activities (44,103)

NET CHANGE IN CASH (44,103)

CASH - BEGINNING 104,242

CASH - END \$ 60,139

Supplemental disclosures of cash flow information

Cash paid during the year for:

Interest \$ -

Income taxes \$ -

See notes to financial statements

ROAD RECOVERY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<i>Program</i>	<i>Management And General</i>	<i>Fund Raising</i>	<i>Total</i>
Administrative personnel	\$ 40,334	\$ 32,266	\$ 24,200	\$ 96,800
Program personnel	27,786	-	-	27,786
Professional fees	12,642	7,916	6,131	26,689
Production costs	1,622	-	1,364	2,986
Rent	25,980	17,520	-	43,500
Local transportation and automobile	8,293	7,391	1,358	17,042
Insurance	5,543	1,366	-	6,909
Payroll taxes	5,276	2,747	2,122	10,145
Accounting fees	11,010	5,252	2,500	18,762
Telephone and internet	1,566	5,194	46	6,806
Depreciation	91	-	-	91
Other expenses	2,841	1,696	1,114	5,651
	<u>\$ 142,984</u>	<u>\$ 81,348</u>	<u>\$ 38,835</u>	<u>\$ 263,167</u>

See notes to financial statements

ROAD RECOVERY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS *DECEMBER 31, 2015*

1. ORGANIZATION

Nature of Activities

Road Recovery Foundation Inc. (the "Organization"), is a not-for-profit corporation formed in New York. The mission of the Organization is dedicated to helping young people battle addiction and other adversities by harnessing the influence of entertainment industry professionals who have confronted similar crises and now wish to share their experience, resources and knowledge. With support from the mental health field, Road Recovery provides hands-on mentorship training, educational/performance workshops, peer-support networking, and "all access" to real-life opportunities by collaborating with young people to create and present live-concert events. Road Recovery empowers young people of all backgrounds to face their struggles and helps them develop comprehensive life skills, guided by professionals and supported by a community of like-minded peers. The Organization derives revenues from its services to institutions and individuals. Its activities are primarily carried out in the New York metropolitan area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual method of accounting, in accordance with accounting principles generally accepted in the United States. Contributions received and expenses incurred for future programs are deferred to the applicable year. Support, revenues, and expenditures are recognized when earned and expenses when incurred. Donated services, materials or equipment, if any, are recorded at their fair market value at the time of the donations. Revenue received for future periods and programs are deferred to the applicable year.

Financial Statement Presentation

The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets – permanently restricted, temporarily restricted and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes be displayed in a statement of activities. At December 31, 2015, the Organization's net assets are unrestricted.

ROAD RECOVERY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS *DECEMBER 31, 2015*

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulation purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. A contribution with a restriction is reported as unrestricted if the restriction is met in the same reporting period as the receipt of the contribution.

The Organization uses the allowance method to determine uncollectible promises to give and other receivables. The allowance is based on prior year's experience and management's analysis. As of December 31, 2015, no allowance for uncollectible receivables was considered necessary.

Cash

The Organization's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2015. Cash balances may at times exceed insured amounts.

Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line over the estimated useful lives of the assets acquired or donated, which is generally three to five years.

Tax-Exempt Status

The Organization qualifies as a tax-exempt organization within the meaning of section 501(c) (3) of the Internal Revenue Code. As a not-for-profit organization, the Organization is also exempt from New York State income taxes. The Organization recognizes the effect of tax positions only when they are more likely than not to be sustained. At December 31, 2015, the Organization did not have any unrecognized tax benefits or liabilities. The Organization operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

Functional Allocation of Expenses

The Organization provides information about expenses reported by their functional classification. This is the classification of expenses according to the purpose for which they are incurred. The primary functional classifications are program services and supporting

ROAD RECOVERY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

services. The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Estimates

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

3. EQUIPMENT

Equipment consists of the following:

Musical instruments and equipment	\$ 32,650
Accumulated depreciation	<u>32,650</u>
	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2015 was \$91.

4. PROGRAM SERVICE REVENUE

Program service revenues have been derived mainly from providing program services to institutions and individuals, mainly from RecoveryTrax and RoadTrax programs at Graham-Windham Services.

5. DONATED SERVICES AND FACILITIES

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

<u>Nature of service</u>	<u>Activity utilized in</u>	<u>Amount</u>
Legal services	Program and General	\$ 7,500
Accounting	Program and General	<u>13,762</u>
		<u>\$ 21,262</u>

The services indicated above were provided by either members of the Board of Directors or by organizations related to the members. These amounts have been recorded as

ROAD RECOVERY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS *DECEMBER 31, 2015*

contributions and as accounting and professional expenses in the statement of activities.

6. RELATED PARTY TRANSACTIONS

During the year, the Organization received donations totaling \$23,550 from several Board of Directors members. In addition, Board of Directors members also donated services.

7. COMMITMENTS

The Organization leases space on a month to month basis in New York, NY. Rent expense for the year ended December 31, 2015 was \$43,500.

8. STRATEGIC PLAN

The Organization incurred a loss of approximately \$46,000 in 2015. In response, the board of directors developed and implemented a strategic plan in 2016 to reduce expenses and increase contributions to enable the Organization to continue to make a positive impact on the lives of others in accordance with its mission statement.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the Organization has reviewed events that have occurred after December 31, 2015, through the date of issuance of these financial statements on November 7, 2016.