
INROADS, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2020



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Independent Accountants' Review Report

Board of Directors
INROADS, Inc.
St. Louis, Missouri

We have reviewed the financial statements of Inroads, Inc., which comprise the statement of financial position as of August 31, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Inroads, Inc. and to meet out other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



March 31, 2022

INROADS, INC.

STATEMENT OF FINANCIAL POSITION
August 31, 2020**Assets**

Cash And Cash Equivalents	\$ 1,560,829
Accounts Receivable And Unconditional Promises To Give	1,043,037
Prepays And Other Assets	<u>54,755</u>
	<u>\$ 2,658,621</u>

Liabilities And Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 725,255
Deferred income	589,000
Current maturities of SBA Loan	865
Notes payable	311,875
Line of credit	<u>250,000</u>
Total Current Liabilities	1,876,995
SBA Loan	149,135
Net Assets	
Without donor restrictions	<u>632,491</u>
	<u>\$ 2,658,621</u>

INROADS, INC.

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues			
Sponsorship and participation fees	\$ 3,373,535	\$ —	\$ 3,373,535
Contributions and grants	2,062,083	643,000	2,705,083
Activity and miscellaneous income	26,690	—	26,690
Investment income	165	—	165
Gain On Extinguishment Of PPP Loan	692,930	—	692,930
Total Public Support And Revenues Before Net Assets Released From Restrictions	6,155,403	643,000	6,798,403
Net Assets Released From Restrictions	876,993	(876,993)	—
Total Public Support And Revenues	7,032,396	(233,993)	6,798,403
Expenses			
Program Services: Program	3,914,258	—	3,914,258
Supporting Services: Management and general	1,823,532	—	1,823,532
Fundraising and development	549,233	—	549,233
Total Supporting Services	2,372,765	—	2,372,765
Total Expenses	6,287,023	—	6,287,023
Excess (Deficit) Of Public Support And Revenues Over Expenses	745,373	(233,993)	511,380
Increase (Decrease) In Net Assets	745,373	(233,993)	511,380
Net Assets - Beginning Of Year	(112,882)	233,993	121,111
Net Assets - End Of Year	\$ 632,491	\$ —	\$ 632,491

INROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended August 31, 2020

	Program Services		Supporting Services			Total
	Program Services	Total Program Services	Management And General	Fundraising And Development	Total Supporting Services	
Salaries And Benefits	\$ 2,719,651	\$ 2,719,651	\$ 1,147,353	\$ 382,451	\$ 1,529,804	\$ 4,249,454
Other Expenses						
Advertising	122,355	122,355	51,618	17,206	68,824	191,179
Fundraising expense	19,799	19,799	8,352	2,784	11,136	30,935
Insurance	53,526	53,526	22,581	7,527	30,108	83,634
Interest expense	—	—	69,779	—	69,779	69,779
Office	30,522	30,522	12,876	4,292	17,168	47,690
Payroll taxes	147,673	147,673	62,300	20,767	83,067	230,740
Pension	—	—	8,805	—	8,805	8,805
Professional fees	108,387	108,387	45,726	15,242	60,968	169,355
Public relations	19,535	19,535	8,241	2,747	10,988	30,523
Recruitment	15,116	15,116	6,377	2,126	8,503	23,619
Rent	152,886	152,886	64,499	21,500	85,999	238,885
Taxes and licenses	—	—	7,454	—	7,454	7,454
Technology	101,947	101,947	43,008	14,336	57,344	159,291
Training and development	320,460	320,460	135,194	45,065	180,259	500,718
Travel and related	93,794	93,794	39,569	13,190	52,759	146,553
Uncollected fees	—	—	89,800	—	89,800	89,800
Total Other Expenses	1,186,000	1,186,000	676,179	166,782	842,961	2,028,960
Depreciation	8,607	8,607	—	—	—	8,607
	\$ 3,914,258	\$ 3,914,258	\$ 1,823,532	\$ 549,233	\$ 2,372,765	\$ 6,287,023

INROADS, INC.

STATEMENT OF CASH FLOWS For The Year Ended August 31, 2020

Cash Flows From Operating Activities	
Increase in net assets	\$ 511,380
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation expense	8,607
Changes in assets and liabilities:	
Accounts receivable and unconditional promises to give	546,310
Prepays and other assets	16,469
Accounts payable and accrued expenses	(933,749)
Deferred income	450,000
Net Cash Provided By Operating Activities	<u>599,017</u>
Cash Flows Provided By Investing Activities	
Net assets released from endowment	<u>13,626</u>
Cash Flows From Financing Activities	
Proceeds from EIDL SBA loan	150,000
Proceeds from Paycheck Protection Program loan	692,930
Forgiveness on Paycheck Protection Program loan	(692,930)
Proceeds from notes payable	379,000
Payments on note payable	(67,125)
Proceeds from line of credit	256,360
Payments on line of credit	(6,360)
Net Cash Provided By Financing Activities	<u>711,875</u>
Net Increase In Cash And Cash Equivalents	1,324,518
Cash And Cash Equivalents - Beginning Of Year	<u>236,311</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 1,560,829</u>
Supplemental Disclosure Of Cash Flow Information	
Interest paid	<u>\$ 56,567</u>

INROADS, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

1. Organization

INROADS, Inc. (the Organization) an Illinois not-for-profit corporation is engaged primarily to assist in the initial selection, year-round academic coaching and advising and year-round job-related training of high potential underserved college students in order to prepare them for responsible positions in the business community upon graduation. The Organization operates in several locations across the nation, with primary operations in Illinois and Missouri.

In January 2020, a novel strain of coronavirus (COVID-19) spread worldwide including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. In compliance with government mandates, the Organization's employees have worked remotely in order to continue the Organization's program activities. In fiscal year 2020, the Organization received a loan under the Paycheck Protection Program (PPP) that was signed into law as part of Coronavirus Aid, Relief, and Economic Security (CARES) Act that was forgiven in fiscal year 2020.

2. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in a way that provides relevant information about the interrelationships, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and 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 perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has no perpetual in nature net assets at August 31, 2020.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash And Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization pools cash and cash equivalents to streamline disbursements and maximize return on investments. At times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Accounts Receivable

Accounts receivable are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Accounts receivable consist of sponsorship fees and miscellaneous receivables in the amount of \$1,038,037 as of August 31, 2020. The Organization anticipates collection of all sponsorship fees and miscellaneous receivables within one year. Management has deemed that no valuation allowance is considered necessary as of August 31, 2020.

The Organization records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$89,800 in 2020 represents the amount of current year write-offs of accounts receivable.

Unconditional Promises To Give

Unconditional promises to give in future periods are recognized as support in the period promises are received. Promises to give, which depend upon specified future and certain events, are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollected amounts through a charge to contribution revenue and a credit to a valuation allowance based on its assessment of the current status of the existing receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give. Unconditional promises to give are combined with accounts receivable on the statement of financial position and amount to \$5,000 as of August 31, 2020. Management has determined that no change in the allowance is necessary as of August 31, 2020.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimate future cash flows. The resulting discount is amortized and reported as contribution revenue in the statement of activities.

Property And Equipment

Furniture, fixtures, computers and software costs are carried at cost less accumulated depreciation and are depreciated using the straight-line method over a three or five year estimated useful life. Leasehold improvements are recorded at cost less accumulated amortization and are amortized over the lives of the respective leases. All property and equipment was full depreciated and disposed of as of August 31, 2020.

Fair Value Of Financial Instruments

Various methods and assumptions were used to estimate the fair value of each class of financial instruments. Cash and cash equivalents are valued at their carrying amount due to their short maturities. The carrying value of all other financial instruments approximates fair value.

Deferred Income

The Organization occasionally receives payment in advance for future interns to be employed by sponsors. These amounts are recorded as deferred income until earned. Deferred income is earned over the period the interns are employed by the sponsor.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Contributions are classified as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Support With And Without Donor Restrictions

The Organization recognizes contributions and grants as revenue at the time an unconditional promise is received. The Organization reports gifts of cash and other assets as donor restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Contributions received with donor restrictions that are met in the same fiscal year are reported as without donor restrictions. In addition, net assets are released from donor restrictions upon satisfaction of the donor-purpose restriction, regardless of whether the related cash has been received.

The Organization receives revenues from contracts with companies in the region. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for providing the services. All revenue is recognized at the point in time in which the services are provided to the customer, and each service represents a single performance obligation. Revenue received prior to August 31 for future services is deferred at year end and recognized in the period in which the service is provided.

Donated Use Of Facilities, Materials And Services

Various furniture and fixtures, office space, training facilities, equipment, and professional services have been donated to the Organization. These items are reflected as items of support in the statement of activities at their estimated fair values in the fiscal year donated.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$191,179 in 2020.

Tax Status

The Internal Revenue Service (the IRS) has determined the Organization is a qualified not-for-profit organization and is, therefore, exempt from federal income taxes on related, exempt income under Internal Revenue Code Section 501(c)(3). However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organizations' federal and state tax returns for tax years 2017 and later remain subject to examination by taxing authorities.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Accountants' Review Report.

3. Cash

The Organization places its cash accounts with a banking institution that is insured by the Federal Deposit Insurance Corporation (FDIC). The Organization's cash is held in noninterest and interest bearing accounts that are insured up to \$250,000 by the FDIC at December 31, 2020. As of August 31, 2020, the Organization held \$1,068,486 that was uninsured by the FDIC.

4. Net Assets

The Organization has no net assets with donor restrictions of any nature as of August 31, 2020.

INROADS, INC.

Notes To Financial Statements (*Continued*)

Net assets were released from donor-imposed restrictions as follows:

College Links	\$ 397,000
Scholarships	315,367
Leadership Development Academy - National	60,000
Leadership Development Academy	36,000
South Central Support	15,000
Western Region Support	15,000
Timing Restriction	13,626
Hispanic Recruiting (UPRM)	8,000
NSBE National Conference attendance	7,000
SHPE National Conference attendance	5,000
STEM Fair attendance	5,000
	<hr/>
	\$ 876,993
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5. Liquidity And Available Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures at August 31 are as follows:

Financial Assets At Year End	
Cash and cash equivalents	\$ 1,560,829
Accounts receivable and unconditional promises to give	<hr/> 1,043,037
Total Financial Assets	<hr/> \$ 2,603,866 <hr/> <hr/>

The Organization receives contributions without donor restrictions and no contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization's contributions are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term operating needs and other contractual commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

6. Line Of Credit

The Organization has a line-of-credit agreement with Citizens Trust Bank with maximum available borrowings of \$500,000 that expired in December 2021. The line of credit is secured by assigned receivables and bears interest at the Prime Rate (3.25% at August 31, 2020) with a 4.25% minimum rate. In January 2022, the Organization renewed the line of credit extending the maturity date to June 2022. At August 31, 2020, the Organization has \$250,000 outstanding under the line of credit.

7. Notes Payable - Related Parties

In September 2019, the Organization agreed to a \$200,000 note payable with an affiliated individual. The note payable is due on demand and has a monthly interest payment in the amount of \$3,000 until the note is paid in full. The balance of the note payable at August 31, 2020 was \$200,000. The note payable was fully paid off in April 2021.

In June 2020, the Organization agreed to a noninterest bearing note payable with an affiliated individual in the amount of \$179,000. The note payable is due on demand and the Organization makes monthly payments in the amount of \$22,375. The balance of the note payable at August 31, 2020 was \$111,875. The note payable was fully paid off in January 2021.

INROADS, INC.

Notes To Financial Statements (Continued)

8. Long-Term Debt

In June 2020, the Company received proceeds of \$150,000 under a promissory note entered into between the Organization and the SBA pursuant to the Economic Injury Disaster Loan (EIDL) established under the CARES Act and administered by the SBA. Loan payments are deferred for the first twelve months after the date of the disbursement of the funds. After that, the loan and interest would be paid back over a period of 30 years.

The scheduled maturities at August 31, 2020 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 865
2022	3,520
2023	3,618
2024	3,719
2025	3,822
Thereafter	134,456
	<u>\$ 150,000</u>

Interest expense for all debt charged against income amounted to \$56,567 for the year ended.

9. Employee Benefit Plans

INROADS maintained two defined contribution plans, pursuant to Section 401(a) and 403(b) of the Internal Revenue Code of 1986. The plan established under Section 401(a) was funded solely by employer contributions, and the Section 403(b) was funded solely by voluntary employee contributions. INROADS contributed 4% of total employees' compensation to the 401(a) defined contribution plan. An employee qualified under this plan on the first enrollment date (January 1 or July 1) occurring after the employee completed one year and 1,000 hours of service. In August 2011, INROADS amended both plans to no longer allow new participants or employee contributions.

In August 2011, a new 401(k) plan was established which allows voluntary employee contributions and discretionary employer matching contributions of up to 4% of the employees' total compensation. INROADS made no contributions in 2020.

10. Operating Leases

The Organization has entered into noncancellable leases for office space expiring at various times through the year 2028. Future minimum lease payments under these operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 174,717
2022	103,300
2023	92,814
2024	95,540
2025	98,390
Thereafter	250,470
	<u>\$ 815,231</u>

11. Paycheck Protection Program

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be administered by the U.S. Small Business Administration (SBA). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization.

In April 2020, the Organization received proceeds of \$692,930 under a promissory note entered into between the Organization and Citizens Trust Bank under the CARES Act and administered by the SBA. In accordance with requirements of the CARES Act, the Organization believes that it has used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considers the PPP loan to be debt, subject to the provisions of ASC 470, Debt. The Organization will not impute additional interest at a market rate, as transactions where interest rates are prescribed by governmental agencies are not subject to accounting guidance on imputing interest.

INROADS, INC.

Notes To Financial Statements (*Continued*)

The loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been legally released or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment.

Loan payments are deferred until ten months after the end of the covered period, as defined in the CARES Act. After that, interest is due in monthly installments and all remaining principal and interest are due in April 2022. The loan bears interest at a fixed rate of 1% and may be prepaid at any time prior to the maturity date, without penalty. The loan contains customary provisions related to the events of default, including, among others, failure to make payments, bankruptcy, breaches of representations, significant changes in ownership, and material adverse effects. The occurrence of an event of default may result in the collection of the borrowed amount plus accrued interest. The Organization's obligations are not secured by any collateral or personal guarantees.

The Organization applied for and received forgiveness of all principal and interest for the PPP loan received in August 2020. Therefore the Organization reduced the full liability and recorded a gain on extinguishment.