
INROADS, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2022



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Independent Auditors' Report

Board of Directors
INROADS, Inc.
Atlanta, Georgia

Opinion

We have audited the financial statements of INROADS, Inc., a not-for-profit organization, which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of INROADS, Inc. as of August 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits 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 INROADS, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 INROADS, Inc.'s ability to continue as a going concern for 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 auditing standards generally accepted in the United States of America 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 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 auditing standards generally accepted in the United States of America, 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 INROADS, Inc.'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 INROADS, Inc.'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.

RubinBrown LLP

July 12, 2023

INROADS, INC.

STATEMENT OF FINANCIAL POSITION

	Assets	
	August 31,	
	2022	2021
Cash	\$ 12,651,277	\$ 4,213,773
Accounts Receivable	1,733,079	1,723,984
Grants Receivable	3,515,000	—
Prepays And Other Assets	98,587	66,079
Investments	23,736	—
Total Assets	\$ 18,021,679	\$ 6,003,836

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 1,258,375	\$ 991,415
Deferred income	2,790,557	349,000
Current maturities of SBA Loan	2,033	3,520
Grants payable	3,331,024	—
Total Current Liabilities	7,381,989	1,343,935
SBA Loan - Long-Term Portion	147,867	146,380
Net Assets		
With donor restrictions	9,348,907	1,759,780
Without donor restrictions	1,142,916	2,753,741
Total Net Assets	10,491,823	4,513,521
Total Liabilities And Net Assets	\$ 18,021,679	\$ 6,003,836

INROADS, INC.

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues			
Program fees	\$ 5,623,916	\$ —	\$ 5,623,916
Contributions and grants	1,317,368	14,371,844	15,689,212
Activity and miscellaneous income	26,357	—	26,357
Gifts in-kind	324,392	—	324,392
Investment income	8,303	—	8,303
Total Public Support And Revenues Before Net Assets Released From Restrictions	7,300,336	14,371,844	21,672,180
Net Assets Released From Restrictions	6,782,717	(6,782,717)	—
Total Public Support And Revenues	14,083,053	7,589,127	21,672,180
Expenses			
Program Services:			
Program	10,279,938	—	10,279,938
Supporting Services:			
Management and general	4,124,353	—	4,124,353
Fundraising and development	1,289,587	—	1,289,587
Total Supporting Services	5,413,940	—	5,413,940
Total Expenses	15,693,878	—	15,693,878
Excess Of Public Support And Revenues Over Expenses	(1,610,825)	7,589,127	5,978,302
Change In Net Assets	(1,610,825)	7,589,127	5,978,302
Net Assets - Beginning Of Year	2,753,741	1,759,780	4,513,521
Net Assets - End Of Year	\$ 1,142,916	\$ 9,348,907	\$ 10,491,823

INROADS, INC.

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues			
Program fees	\$ 7,313,196	\$ —	\$ 7,313,196
Contributions and grants	2,669,733	2,935,237	5,604,970
Activity and miscellaneous income	24,621	—	24,621
Gifts in-kind	413,537	—	413,537
Investment income	858	—	858
Total Public Support And Revenues Before Net Assets Released From Restrictions	10,421,945	2,935,237	13,357,182
Net Assets Released From Restrictions	1,284,507	(1,284,507)	—
Total Public Support And Revenues	11,706,452	1,650,730	13,357,182
Expenses			
Program Services:			
Program	4,889,168	—	4,889,168
Supporting Services:			
Management and general	3,273,299	—	3,273,299
Fundraising and development	1,038,685	—	1,038,685
Total Supporting Services	4,311,984	—	4,311,984
Total Expenses	9,201,152	—	9,201,152
Excess Of Public Support And Revenues Over Expenses	2,505,300	1,650,730	4,156,030
Increase In Net Assets	2,505,300	1,650,730	4,156,030
Net Assets - Beginning Of Year	248,441	109,050	357,491
Net Assets - End Of Year	\$ 2,753,741	\$ 1,759,780	\$ 4,513,521

INROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended August 31, 2022

	Supporting Services				Total
	Program Services	Management And General	Fundraising And Development	Total Supporting Services	
Salaries And Benefits	\$ 3,730,890	\$ 1,317,528	\$ 712,797	\$ 2,030,325	\$ 5,761,215
Other Expenses					
Advertising	125,746	554,678	34,558	589,236	714,982
Contract labor and services	458,933	1,551,075	34,096	1,585,171	2,044,104
Financing, taxes, and licenses	—	3,387	—	3,387	3,387
Fundraising event expenses	—	—	420,923	420,923	420,923
Interest expense	—	20,732	—	20,732	20,732
Liability and property insurance	—	42,354	—	42,354	42,354
Occupancy	72,844	105,397	20,480	125,877	198,721
Office supplies and expense	14,772	62,275	19,024	81,299	96,071
Staff travel and meetings	86,302	114,011	22,257	136,268	222,570
Student recruiting, training, and development	1,305,173	—	—	—	1,305,173
Technology	415,278	352,916	25,452	378,368	793,646
Uncollected fees	20,000	—	—	—	20,000
Grants and awards	4,050,000	—	—	—	4,050,000
Total Other Expenses	6,549,048	2,806,825	576,790	3,383,615	9,932,663
	\$ 10,279,938	\$ 4,124,353	\$ 1,289,587	\$ 5,413,940	\$ 15,693,878

INROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended August 31, 2021

	Supporting Services				Total
	Program Services	Management And General	Fundraising And Development	Total Supporting Services	
Salaries And Benefits	\$ 3,146,429	\$ 799,657	\$ 746,197	\$ 1,545,854	\$ 4,692,283
Other Expenses					
Advertising	54,546	356,315	119,040	475,355	529,901
Contract labor and services	418,050	1,619,592	73,343	1,692,935	2,110,985
Financing, taxes, and licenses	—	888	—	888	888
Fundraising event expenses	—	—	40,600	40,600	40,600
Interest expense	—	45,029	—	45,029	45,029
Liability and property insurance	—	71,049	—	71,049	71,049
Occupancy	74,292	131,696	28,000	159,696	233,988
Office supplies and expense	22,126	36,773	10,476	47,249	69,375
Staff travel and meetings	1,417	2,283	500	2,783	4,200
Student recruiting, training, and development	848,011	25,562	181	25,743	873,754
Technology	255,297	184,455	20,348	204,803	460,100
Uncollected fees	69,000	—	—	—	69,000
Total Other Expenses	1,742,739	2,473,642	292,488	2,766,130	4,508,869
	\$ 4,889,168	\$ 3,273,299	\$ 1,038,685	\$ 4,311,984	\$ 9,201,152

INROADS, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended August 31,	
	2022	2021
Cash Flows From Operating Activities		
Increase in net assets	\$ 5,978,302	\$ 4,156,030
Changes in assets and liabilities:		
Accounts receivable	(9,095)	(680,947)
Grants receivable	(3,515,000)	—
Prepays and other assets	(32,508)	(11,324)
Accounts payable and accrued expenses	266,960	266,160
Grants payable	3,331,024	—
Deferred income	2,441,557	(515,000)
Net Cash Provided By Operating Activities	8,461,240	3,214,919
Cash Flows Used In Investing Activities		
Purchases of investments	(23,736)	—
Cash Flows From Financing Activities		
Net repayments on line of credit	—	(250,000)
Repayments on notes payable	—	(311,975)
Net Cash Used In Financing Activities	—	(561,975)
Net Increase In Cash And Cash Equivalents	8,437,504	2,652,944
Cash And Cash Equivalents - Beginning Of Year	4,213,773	1,560,829
Cash And Cash Equivalents - End Of Year	\$ 12,651,277	\$ 4,213,773
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 20,732	\$ 45,029

INROADS, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 And 2021

1. Organization

INROADS, Inc. (the Organization), an Illinois not-for-profit corporation, creates pathways to careers for diverse underrepresented talent across the country at the high school and college level. Programs provide year-round coaching and mentoring, career exploration, and leadership development training to prepare students for successful corporate and community leadership. The organization operates in several locations across the nation, with offices in Georgia, Missouri and Illinois.

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 with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. When restrictions expire due to the passage of time or the incurrence of expenditures that satisfy the donor-imposed restrictions, net assets are reclassified to net assets without donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

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

Cash and cash equivalents include checking and savings accounts. At times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. At August 31, 2022, cash held in excess of the FDIC limit amounted to \$11,911,106. Total cash held in the bank represented the amount of cash physically deposited in the bank at August 31, 2022 without regard to deposits in transit or outstanding checks.

Accounts Receivable

Accounts receivable are stated at the amount management expects 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.

Accounts receivable consist of sponsorship fees and miscellaneous receivables in the amount of \$1,733,079 and \$1,723,984 as of August 31, 2022 and 2021, respectively. 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, 2022 or 2021.

The Organization records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$20,000 in 2022 and \$69,000 in 2021 represents the amount of write-offs of accounts receivable.

Grants Receivable

Grants receivable represent amounts due from funding sources and are recognized as revenue in the period in which the measurable performance or other barriers are met. Management provides for probable uncollectible amounts through a charge to changes in net assets and a credit to the valuation allowance based on its assessment of the current status of individual accounts. At August 31, 2022 and 2021, management expects to collect all outstanding grants receivable; thus, no valuation allowance has been established.

Deferred Income

The Organization occasionally receives payments in advance for future interns to be employed by sponsors or graduates to be hired by corporate partners. These amounts are recorded as deferred income until earned. Deferred income is earned over the period interns are employed by the sponsor or when candidates are hired by corporate partners.

Program Fees

The Organization accounts for revenue recognition in accordance with ASC 606, which aligns revenue recognition with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization receives revenues from contracts with companies. 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.

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-imposed stipulations that are satisfied in the same year as the contributions are used are initially reported in net assets with donor restrictions and released to net assets without donor restrictions as the restrictions are met. 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. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Functional Allocation Of Expenses

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. Occupancy expenses are allocated to other departments based on square-footage, as well as communication and technology expenses, which are allocated based on the number of licenses per department.

INROADS, INC.

Notes To Financial Statements (Continued)

In-Kind Donations

Effective September 1, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The adoption of ASU 2020-07 under the retrospective method did not materially impact the Organization's financial statements.

Donated materials are valued at the fair market value of the donated items.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated assets.

The Organization received the following contributed nonfinancial assets during the years ended August 31:

	<u>2022</u>	<u>2021</u>
Media support and related marketing/consulting	\$ 300,000	\$ 15,000
Gala support and communications	15,000	—
Donated space	5,000	—
Donated supplies	4,392	5,600
Technology analysis and strategy	—	350,000
Strategic planning facilitation	—	42,937
Total gifts in-kind	\$ 324,392	\$ 413,537

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$714,982 and \$529,901 in 2022 and 2021, respectively.

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.

INROADS, INC.

Notes To Financial Statements (Continued)

The Organization's federal and state tax returns for tax years 2018 and later remain subject to examination by taxing authorities.

Reclassifications

Certain 2021 balances have been reclassified in order to conform with the presentation of the 2022 financial statements.

Subsequent Events

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

3. Net Assets

Net assets with donor restrictions include the following at August 31:

	<u>2022</u>	<u>2021</u>
HBCU Sustainable Communities Initiative	\$ 5,646,013	\$ —
College Links	2,508,528	903,280
Financial Services Institute	413,660	600,000
Career Pathway	394,206	—
Scholarships	306,500	212,500
Miscellaneous	80,000	44,000
	<u>\$ 9,348,907</u>	<u>\$ 1,759,780</u>

Net assets were released from donor-imposed restrictions as follows during the years ended August 31:

	<u>2022</u>	<u>2021</u>
HBCU Sustainable Communities Initiative	\$ 4,353,987	\$ —
College Links	1,195,096	919,457
Intern support	437,500	35,000
Scholarships	354,000	330,050
Financial Services Institute	336,340	—
Career Pathway	105,794	—
	<u>\$ 6,782,717</u>	<u>\$ 1,284,507</u>

4. Liquidity And Availability Of Financial Assets

At August 31, 2022 and 2021, the Organization has the following financial assets available to meet general expenditures over the next twelve months:

	<u>2022</u>	<u>2021</u>
Cash	\$ 12,651,277	\$ 4,213,773
Grants receivable	3,515,000	—
Accounts receivable	1,733,079	1,723,984
Total financial assets available within one year	17,899,356	5,937,757
Less: amounts unavailable for general expenditures within one year due to donor purpose restrictions	(6,033,520)	—
Financial assets available to meet general expenditures within one year	\$ 11,865,836	\$ 5,937,757

The Organization's restricted net assets consist of funds restricted by donors for particular purposes. 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.

5. Line Of Credit

The Organization had a line-of-credit agreement with Citizens Trust Bank with maximum available borrowings of \$500,000 that expired in June 2022. The line of credit was secured by assigned receivables and bore interest at the Prime Rate with a 4.25% minimum rate. At August 31, 2021, the Organization had no amounts outstanding under the line of credit.

INROADS, INC.

Notes To Financial Statements (Continued)

6. SBA Loan

In June 2020, the Company received proceeds of \$150,000 under a promissory note entered into between the Organization and the Small Business Administration (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 30 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, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 2,033
2024	3,403
2025	3,497
2026	3,595
2027	3,695
Thereafter	133,677
	<u>\$ 149,900</u>

Interest expense on the loan amounted to \$4,172 and \$4,214 for the years ended August 31, 2022 and 2021, respectively.

7. Retirement 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 2022 or 2021.

INROADS, INC.

Notes To Financial Statements *(Continued)*

8. Operating Leases

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

<u>Year</u>	<u>Amount</u>
2023	\$ 71,121
2024	94,624
2025	97,433
2026	100,365
2027	103,389
Thereafter	79,677
	<u>\$ 546,609</u>

Rent expense for the years ended August 31, 2022 and 2021 was \$198,721 and \$221,265, respectively.