

ACHILLES INTERNATIONAL, INC.

**FINANCIAL STATEMENTS
AND**

AUDITORS' REPORT

DECEMBER 31, 2018 AND 2017

ACHILLIES INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Achilles International, Inc
New York, New York

I have audited the accompanying financial statements of Achilles International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, expenses and cash flows for the years 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.

Auditor's Responsibility

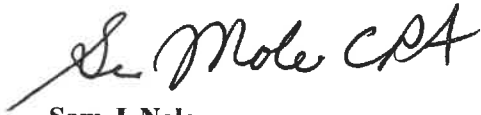
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achilles International, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and the related statements of activities, expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "S. Nole CPA". The signature is written in a cursive style with a long horizontal line extending to the left from the start of the name.

Sam J. Nole
Certified Public Accountant
New York, New York
May 9, 2019

**ACHILLES INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

		2018		2017
	ASSETS			
Cash	\$	826,555	\$	605,717
Contributions receivable		25,000		183,500
Prepaid expenses		26,488		-
Inventory		30,950		14,208
Property and equipment, net		129,243		102,243
Total assets		1,038,236	\$	905,668

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable and accrued expenses	\$	13,020	\$	2,275
Total liabilities		13,020		2,275
Commitments and contingencies (see notes)				
Net Assets:				
Without donor restrictions		1,025,216		903,393
With donor restrictions		-		-
Total net assets		1,025,216		903,393
Total liabilities and net assets	\$	1,038,236	\$	905,668

See accompanying notes to the financial statements.

**ACHILLES INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
	Without Donor Restrictions	Without Donor Restrictions
Support and Revenues:		
Contributions and grants	\$ 2,433,071	\$ 2,327,909
Special events:		
Income	286,134	\$ 307,960
Less: related direct expenses	(45,788)	(95,187)
Net special event income	240,346	212,773
Interest income	813	-
Total support and revenues	2,674,230	2,540,682
Expenses:		
Program Expenses:		
Marathons	1,250,788	1,394,645
Achilles Kids	221,533	209,994
Hope and Possibility Race	103,779	116,918
Freedom Team	573,609	475,657
Total program expenses	2,149,709	2,197,214
Supporting Services:		
Management and General	274,399	186,245
Fundraising	128,299	131,240
Total expenses	2,552,407	2,514,699
Increase/(Decrease) In Net Assets:	121,823	25,983
Net assets, beginning of year	903,393	877,410
Net assets, end of year	\$ 1,025,216	\$ 903,393

See accompanying notes to the financial statements.

ACHILLES INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 121,823	\$ 25,983
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	11,000	33,707
Donated property and equipment	(38,000)	-
Changes in assets and liabilities:		
Contributions receivable	158,500	(23,356)
Prepaid expenses	(26,488)	-
Inventory	(16,742)	(4,360)
Accounts payable and accrued expenses	10,745	-
Net cash provided/(used) by operating activities	220,838	31,974
Cash flows from investing activities:		
Purchase of property and equipment	-	(14,523)
Net cash provided/(used) by investing activities	-	(14,523)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	220,838	17,451
Cash at beginning of year	605,717	588,266
Cash at end of year	\$ 826,555	\$ 605,717

See accompanying notes to the financial statements.

**ACHILLES INTERNATIONAL, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018**

<u>Program Expenses</u> Hope and	<u>Supporting Services</u>						<u>Total Expenses</u>
	<u>Total</u>	<u>Achilles Kids</u>	<u>Possibility Race</u>	<u>Freedom Team</u>	<u>Program Expenses</u>	<u>Management & General Fundraising</u>	
Personnel costs:							
Salaries	\$ 355,757	\$ 38,669	\$ 61,871	\$ 170,145	\$ 626,442	\$ 46,403	\$ 773,385
Payroll taxes	88,203	9,587	15,340	42,184	155,314	24,927	191,745
Total personnel costs	443,960	48,256	77,211	212,329	781,756	57,907	965,130
Direct expenses:							
Chapter Events	293,831	-	-	-	293,831	-	293,831
Consultants	-	-	-	-	-	110,923	110,923
Depreciation	5,060	990	1,210	2,090	9,350	1,650	11,000
Equipment	-	-	-	-	-	6,866	6,866
Insurance	-	-	-	-	-	24,356	24,356
Miscellaneous	2,660	-	-	-	2,660	-	5,492
Office supplies & expenses	189	-	-	-	189	20,226	20,415
Postage & delivery	-	-	-	-	-	4,743	4,743
Printing and copying	-	-	-	-	-	2,724	2,724
Professional services	-	-	-	-	-	15,000	15,000
Program expenses - other	408,153	164,826	17,151	344,268	934,398	-	934,398
Rent and utilities	35,812	7,461	8,207	14,922	66,402	8,206	74,608
Telephone	-	-	-	-	-	10,675	10,675
Travel and meetings	61,123	-	-	-	61,123	11,123	72,246
Total direct expenses	806,828	173,277	26,568	361,280	1,367,953	216,492	1,587,277
Total expenses	\$ 1,250,788	\$ 221,533	\$ 103,779	\$ 573,609	\$ 2,149,709	\$ 274,399	\$ 2,552,407

See accompanying notes to the financial statements.

**ACHILLES INTERNATIONAL, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2017**

<u>Program Expenses</u> Hope and	<u>Supporting Services</u>						Total	
	Marathons	Achilles Kids	Possibility Race	Freedom Team	Program Expenses	Management & General		Fundraising
Total								
Personnel costs:								
Salaries	\$ 252,011	\$ 27,393	\$ 43,828	\$ 120,527	\$ 443,759	\$ 32,871	\$ 71,220	\$ 547,850
Payroll taxes	166,130	18,058	28,892	79,453	292,533	21,669	46,950	361,152
Total personnel costs	418,141	45,451	72,720	199,980	736,292	54,540	118,170	909,002
Direct expenses:								
Chapter Events	649,869	-	-	-	648,869	-	-	648,869
Consultants	162	-	-	-	162	8,400	-	8,562
Depreciation	14,815	2,899	3,543	6,119	27,376	6,331	-	33,707
Equipment	-	-	-	-	-	13,138	-	13,138
Insurance	-	-	-	-	-	20,404	-	20,404
Miscellaneous	5,150	-	-	-	5,150	2,920	13,070	21,140
Office supplies & expenses	-	-	-	-	-	27,655	-	27,655
Postage & delivery	-	-	-	-	-	3,380	-	3,380
Printing and copying	-	-	-	-	-	2,766	-	2,766
Professional services	-	-	-	-	-	4,975	-	4,975
Program expenses - other	274,071	154,678	32,992	255,626	717,367	-	-	717,367
Rent and utilities	33,437	6,966	7,663	13,932	61,998	7,662	-	69,660
Telephone	-	-	-	-	-	14,159	-	14,159
Travel and meetings	-	-	-	-	-	19,915	-	19,915
Total direct expenses	977,504	164,543	44,198	275,677	1,460,922	131,705	13,070	1,605,697
Total expenses	\$ 1,395,645	\$209,994	\$ 116,918	\$ 475,657	\$2,197,214	\$ 186,245	\$ 131,240	\$2,514,699

See accompanying notes to the financial statements.

ACHILLIES INTERNATIONAL, INC. NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Achilles International, Inc. (the Organization), a not-for-profit organization, was incorporated in the State of New York on August 23, 1984. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements include any uncertain tax positions. The Organization primarily receives its support from contributions and grants.

The primary purpose of the Organization is to enable people with disabilities to compete in mainstream athletics with a focus on distance/marathon running. The Organization seeks to accomplish its purpose through its three major program areas, which include the following: Marathons and Freedom Team - sponsoring athletes with disabilities and Freedom Team of Wounded Vets members who participate in marathons and races; Achilles Kids - helping kids with disabilities become stronger and healthier by providing them with the opportunity to exercise regularly and compete with other runners; and Hope and Possibility Race - a five mile race through central park for adults combined with races for children with and without disabilities for the purpose of celebrating life, community, achievement and the power of the human spirit.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In 2018, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the 2018 and 2017 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions (formerly unrestricted) and with donor restrictions (formerly temporarily restricted and permanently restricted). In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three

ACHILLIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to seven years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Inventory

Inventory consists of running shoes, t-shirts, books, and medals that are to be used for the Organization's programs. Inventory is stated at the lower of cost or market and is determined using a periodic inventory method.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions and increases in the respective class of net assets. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase in the respective class of net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at their present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable contributions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salary and related expenses, occupancy, and telephone, which are allocated on the basis of estimates of time and effort. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**ACHILLIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributed Services

Some individuals volunteer their time to perform a variety of tasks that assist the Organization. The value of the contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the recognition criteria in accordance with GAAP.

Note 2 - Concentrations

The Organization maintains its checking and savings accounts with a major financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. At times, the balances of the accounts may have exceeded the insured limits during the years ended December 31, 2018 and 2017.

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2018 and 2017:

	2018	2017
Office equipment	\$ 69,141	\$ 69,141
Program equipment	395,013	395,013
Furniture & fixtures	18,130	18,130
Vehicles	93,000	55,000
	<u>575,284</u>	<u>537,284</u>
Less: Accumulated depreciation	(446,041)	(435,041)
	<u>\$ 129,243</u>	<u>\$ 102,243</u>

Depreciation for the year ended December 31, 2018 amounted to \$11,000.

Note 4 - Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the financial position date, reduced by amounts not available for general use within one year of the financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	2018	2017
Financial assets:		
Cash	\$ 826,555	\$ 605,717
Receivables	25,000	183,500
Total financial assets	<u>851,555</u>	<u>789,217</u>
Less those unavailable for general expenditures within one year		
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 851,555</u>	<u>\$ 789,217</u>

**ACHILLIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Liquidity and Availability of Financial Assets (Continued)

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization's board of directors has approved a balanced budget which anticipates collecting sufficient revenue to cover general expenditures.

Note 5 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through March 27, 2019, which is the date the financial statements were available to be issued.

Note 6 - Long Term Lease

The Organization renewed its lease for a period of five (5) years which expired on May 31, 2014. The Organization may terminate without penalty after two (2) years and then again, it may also terminate it after four (4) years, again without incurring any penalties.

The following is a schedule by years of future base rental payments required under its operating lease:

Lease ending May 31, 2019	\$27,110
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The Organization recorded rent, occupancy and utilities in the total amount of \$74,608. This amount was allocated as follows: Program Service Expense: \$66,402 and Management and General Expense in the amount of \$8,206. Management is currently finishing rent renewal terms for its current space. The company is currently in negotiations with its landlord to continue its lease after it expires on May 31, 2019.