

ACHILLES INTERNATIONAL, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

ACHILLES INTERNATIONAL, INC.

DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To The Board of Directors of
Achilles International, Inc.

Opinion

We have audited the accompanying financial statements of Achilles International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 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 financial statements referred to above present fairly, in all material respects, the financial position of Achilles International, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Achilles International, 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 Achilles International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Achilles International, 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 Achilles International 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.

Ad & Accounting CPAs, LLP
Port Washington, New York

June 30, 2023

ACHILLES INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,234,601	\$ 3,421,928
Contributions Receivable	200,000	262,500
Prepaid expenses	<u>14,868</u>	<u>13,362</u>
Total current assets	3,449,469	3,697,790
Security Deposit	45,183	45,183
Property and equipment, net	151,724	73,386
Operating lease right-of-use asset	<u>429,641</u>	<u>-</u>
Total long term assets	<u>626,548</u>	<u>118,569</u>
Total assets	<u><u>\$ 4,076,017</u></u>	<u><u>\$ 3,816,359</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 84,813	\$ 66,950
Deferred Rent	-	35,360
Deferred Revenue	100,000	150,000
Current portion of operating lease liability	<u>124,850</u>	<u>-</u>
Total current liabilities	<u>309,663</u>	<u>252,310</u>
Long term liabilities		
Operating lease liability	<u>341,340</u>	<u>-</u>
Total long term liabilities	<u>341,340</u>	<u>-</u>
Net Assets		
Without donor restrictions	2,142,492	2,447,275
With donor restrictions	<u>1,282,522</u>	<u>1,116,774</u>
Total net assets	<u>3,425,014</u>	<u>3,564,049</u>
Total liabilities and net assets	<u><u>\$ 4,076,017</u></u>	<u><u>\$ 3,816,359</u></u>

The accompanying notes are an integral part of these financial statements.

ACHILLES INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	FOR THE YEAR ENDED DECEMBER 31, 2022			FOR THE YEAR ENDED DECEMBER 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
Support and Revenue						
Contributions and Grants	\$ 1,292,769	\$ 1,628,015	\$ 2,920,784	\$ 1,262,664	\$ 1,690,931	\$ 2,953,595
Special Events:						
Income	634,697		634,697	294,085	-	294,085
Less: related direct expense	(99,175)		(99,175)	(43,532)	-	(43,532)
Net special event income	535,522	-	535,522	250,553	-	250,553
Interest Income	1,769	-	1,769	2,592	-	2,592
Total support and revenue	1,830,060	1,628,015	3,458,075	1,515,809	1,690,931	3,206,740
Expenses						
Program Expense	2,343,349	-	2,343,349	1,717,060	-	1,717,060
Management and General	471,396	-	471,396	314,962	-	314,962
Fundraising	782,365	-	782,365	439,271	-	439,271
Total expenses	3,597,110	-	3,597,110	2,471,293	-	2,471,293
Change in net assets	(1,767,050)	1,628,015	(139,035)	(955,484)	1,690,931	735,447
Net assets - beginning of year	2,447,275	1,116,774	3,564,049	2,347,121	238,339	2,585,460
Transfer	1,462,267	(1,462,267)	-	812,496	(812,496)	-
Adjustments to net assets			-	243,142		243,142
Net assets - end of year	<u>\$ 2,142,492</u>	<u>\$ 1,282,522</u>	<u>\$ 3,425,014</u>	<u>\$ 2,447,275</u>	<u>\$ 1,116,774</u>	<u>\$ 3,564,049</u>

The accompanying notes are an integral part of these financial statements.

ACHILLES INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (139,035)	\$ 735,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Adjustment to net assets	-	243,142
Depreciation	33,610	17,769
Operating lease right-of-use asset amortization	1,189	-
Changes in operating assets and liabilities		
Contributions Receivable	62,500	(249,375)
Prepaid expenses	(1,506)	(787)
Security deposit	-	10,000
Accounts payable and accrued expenses	17,863	53,092
Deferred Rent	-	4,855
Deferred Revenue	(50,000)	150,000
Net cash provided by operating activities	<u>(75,379)</u>	<u>964,143</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(111,948)</u>	<u>(4,487)</u>
Net cash (used) by investing activities	<u>(111,948)</u>	<u>(4,487)</u>
Net (decrease), increase, in cash	(187,327)	959,656
Cash and cash equivalents - beginning of year	<u>3,421,928</u>	<u>2,462,272</u>
Cash and cash equivalents - end of year	<u>\$ 3,234,601</u>	<u>\$ 3,421,928</u>

The accompanying notes are an integral part of these financial statements.

ACHILLES INTERNATIONAL, INC.
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Expenses	Management & General	Fundraising	Totals
Personnel Costs:				
Salaries	\$ 941,283	\$ 173,748	\$ 392,041	\$ 1,507,072
Payroll taxes & employee benefits	198,616	57,914	88,286	344,816
Total personnel costs	1,139,899	231,662	480,327	1,851,888
Direct Expenses:				
Consultants	-	7,744	10,000	17,744
Depreciation	23,302	3,138	7,170	33,610
Equipment	4,667	627	1,436	6,730
Insurance	5817	23,268	-	29,085
Miscellaneous	-	26,646	-	26,646
Office supplies & Expenses	-	23,465	-	23,465
Postage & delivery	2,678	361	824	3,863
Printing and copying	4,663	628	1,435	6,726
Professional services	65,583	130,929	242,194	438,706
Program expenses-other	615,059	-	-	615,059
Rent and utilities	101,912	13,723	31,356	146,991
Telephone	11,028	1,485	3,393	15,906
Travel and Meetings	368,741	7,720	4,230	380,691
Total direct expenses	1,203,450	239,734	302,038	1,745,222
Total expenses	\$ 2,343,349	\$ 471,396	\$ 782,365	\$ 3,597,110

The accompanying notes are an integral part of these financial statements.
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ACHILLES INTERNATIONAL, INC.
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Expenses	Management & General	Fundraising	Totals
Personnel Costs:				
Salaries	\$ 702,709	\$ 114,977	\$ 301,379	\$ 1,119,065
Payroll taxes & employee benefits	185,416	22,108	67,074	274,598
Total personnel costs	888,125	137,085	368,453	1,393,663
Direct Expenses:				
Depreciation	11,056	1,580	5,133	17,769
Equipment	17,888	2,557	8,304	28,749
Insurance	4,645	18,582	-	23,227
Miscellaneous	-	28,012	-	28,012
Office supplies & Expenses	-	8,276	-	8,276
Postage & delivery	2,318	1,407	-	3,725
Printing and copying	2,728	390	1,267	4,385
Professional services	26,247	101,167	13,500	140,914
Program expenses-other	542,023	-	-	542,023
Rent and utilities	83,595	11,949	38,810	134,354
Telephone	8,194	1,171	3,804	13,169
Travel and Meetings	130,241	2,786	-	133,027
Total direct expenses	828,935	177,877	70,818	1,077,630
Total expenses	\$ 1,717,060	\$ 314,962	\$ 439,271	\$ 2,471,293

The accompanying notes are an integral part of these financial statements.
(8)

ACHILLES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Achilles International, Inc. (the Organization) was incorporated in 1984, under the laws of the State of New York, as a not-for-profit organization, as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes and from state and local taxes under comparable laws.

The Organization's mission is to enable people with disabilities to compete in mainstream athletics with a focus on long distance/marathon running.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are reported according to two classes of net assets, when applicable: net assets without donor restrictions and net assets with donor restrictions.

Concentrations of Credit Risk

The Organization maintains cash in several bank accounts which, at times, may exceed federally insured limits. At December 31, 2022, the Organization's cash balances exceeded the federally insured limits by approximately \$2,911,616. The Organization has not experienced any losses with respect to such accounts.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions (including unconditional promises to give) are recorded at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings and insured deposit accounts.

ACHILLES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value if donated, less accumulated depreciation and amortization. Donated property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Property and equipment are depreciated using a straight-line basis over their estimated useful lives of the assets.

Donated Goods and Services

The Organization recognizes revenues and expenses from contributed services. Volunteers have donated time to the Agency's program services and fund-raising campaigns during the year.

Cost Allocation

The financial statements report certain categories of expense that are attributable to more than one supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Identifiable expenses made in direct fulfillment of the Agency's expressed goals are classified as program expenses. Common expenses are allocated among program, administration and fund raising based on management's estimates including such factors as time expended or space utilized.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lease assets and liabilities to be recorded on the balance sheet. The organization adopted this ASU and related amendments as of January 1, 2022 under the modified retrospective approach and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases.

ACHILLES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Leases (continued)

The adoption of this ASU and related amendments resulted in an increase to total assets and total liabilities by \$584,775 in the first quarter of 2022. The organization's Statements of Activities and Statements of Cash Flows were not impacted. Accounting policies as a result of the adoption of this ASU are described below. Refer to Note 5 for additional lease disclosures.

For any new or modified lease, the organization, at the inception of the contract, determines whether a contract is or contains a lease. The organization records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the organization will exercise the option. The organization has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

ACHILLES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 3,234,601	\$ 3,421,928
Receivables	<u>200,000</u>	<u>262,500</u>
Total financial assets	3,434,601	3,684,428
Less those unavailable for general expenditures within one year:	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,434,601</u>	<u>\$ 3,684,428</u>

ACHILLES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022 and 2021:

	December 31,		
	<u>2022</u>	<u>2021</u>	<u>Useful Life</u>
Office Equipment	\$ 19,747	\$ 12,441	4
Program Equipment	133,932	29,290	4
Furniture & Fixtures	50,538	50,538	5
Capital Improvements	<u>18,938</u>	<u>18,938</u>	7
	223,155	111,207	
Less accumulated			
Depreciation	<u>(71,431)</u>	<u>(37,821)</u>	
	<u>\$ 151,724</u>	<u>\$ 73,386</u>	

Depreciation expense amounted to \$33,610 and \$17,769 for the years ended December 31, 2022 and 2021, respectively.

NOTE 5 - LEASE COMMITMENTS

The Organization leases its premises at 315 West 39th Street, New York NY 10018. The Organization has an obligation as a lessee for this office space under a noncancelable lease that expires on June 30, 2026 and has classified this lease as an operating lease.

ACHILLES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 5 - LEASE COMMITMENTS (continued)

The following summarizes the line items in the balance sheet which include amounts for this operating lease as of December 31, 2022:

Operating lease right-of-use-asset	<u>\$ 429,641</u>
Operating lease liability - current	124,850
Operating lease liability - long-term	<u>341,340</u>
Total operating lease liability	<u>\$ 466,190</u>

The ROU asset and lease liability were calculated utilizing the risk-free discount rate (1.5%), according to the Organization's elected policy. The remaining lease term on the lease is 3.5 years.

Supplemental cash flow information:

	<u>2022</u>
Cash paid for amounts included in measurement of lease liability:	
Operating cash flow from operating lease	\$ 125,872
ROU asset obtained in exchange for operating lease liability	\$ 429,641

The maturities of lease liabilities as of December 31, 2022 were as follows:

2023	\$ 131,048
2024	136,380
2025	140,471
2026	<u>71,274</u>
Total lease payments	<u>479,173</u>
Less: imputed interest	<u>(12,983)</u>
Present value of lease liabilities	<u>\$ 466,190</u>

ACHILLES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 5 - LEASE COMMITMENTS (continued)

Rent expense totaled \$132,048, and \$130,037, respectively, for the years ended December 31, 2022 and 2021 and is included in occupancy expense in the accompanying financial statements. Achilles International, Inc. recorded a deferred rent liability at December 31, 2021 of \$35,360.

NOTE 6 - INCOME TAXES

The Organization has no uncertain tax positions as of December 31, 2022 and 2021 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for the years ended before December 31, 2019.

NOTE 7 - SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to the date of the statement of financial position through June 30, 2023, the date the financial statements were available to be issued. The Organization has determined that no subsequent events requiring disclosure or modification of the financial statements as of the statement of financial position date existed.