

**ROAD RECOVERY FOUNDATION INC.**  
***REPORT ON AUDITS OF FINANCIAL STATEMENTS***  
***DECEMBER 31, 2008***

# Lilling & Company LLP

Certified Public Accountants

## ***INDEPENDENT AUDITOR'S REPORT***

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

We have audited the accompanying statements of financial position of Road Recovery Foundation Inc. as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Road Recovery Foundation, Inc.'s 2007 financial statements and, in our report dated October 28, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



**CERTIFIED PUBLIC ACCOUNTANTS**

*November 12, 2009*

**ROAD RECOVERY FOUNDATION INC.**

***STATEMENTS OF FINANCIAL POSITION***

***DECEMBER 31, 2008***

***(With comparative totals for 2007)***

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	<u>2008</u>	<u>2007</u>
<b><i>ASSETS</i></b>		
Cash and cash equivalents	\$ 149,788	\$ 281,979
Accounts receivable	27,378	3,000
Equipment, net of accumulated depreciation	<u>20,301</u>	<u>7,511</u>
	<u>\$ 197,467</u>	<u>\$ 292,490</u>
<b><i>LIABILITIES</i></b>		
Accrued expenses	\$ 824	\$ 14,372
<b><i>NET ASSETS</i></b>		
Net assets - unrestricted	<u>196,643</u>	<u>278,118</u>
	<u>\$ 197,467</u>	<u>\$ 292,490</u>

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*See notes to financial statements*

**ROAD RECOVERY FOUNDATION INC.**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2008**

*(With comparative totals for 2007)*

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	<u>2008</u>	<u>2007</u>
<b>REVENUE AND SUPPORT</b>		
Program services	\$ 120,834	\$ 351,227
Contributions and grants	183,581	141,600
Special events, net of direct costs of \$62,212	(227)	-
Other income	6,109	13,583
	<u>310,297</u>	<u>506,410</u>
<b>EXPENSES</b>		
Program expenses	212,102	214,613
Management and general	96,376	128,363
Fund raising	83,294	81,939
	<u>391,772</u>	<u>424,915</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	(81,475)	81,495
<b>NET ASSETS (UNRESTRICTED) - BEGINNING</b>	<u>278,118</u>	<u>196,623</u>
<b>NET ASSETS (UNRESTRICTED) - END</b>	<u>\$ 196,643</u>	<u>\$ 278,118</u>

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See notes to financial statements

**ROAD RECOVERY FOUNDATION INC.****STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2008**  
*(With comparative totals for 2007)*

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	<u>2008</u>	<u>2007</u>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ (81,475)	\$ 81,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,654	2,018
(Increase) decrease in assets:		
Accounts receivable	(24,378)	9,500
Other assets	-	676
Increase (decrease) in liabilities:		
Accrued expenses	(13,548)	9,053
Total adjustments	(34,272)	21,247
<b><i>Net cash provided by (used in) operating activities</i></b>	<u>(115,747)</u>	<u>102,742</u>
<b><i>Cash flows from investing activities</i></b>		
Cash paid for equipment	(16,444)	(7,332)
<b><i>Net cash used in investing activities</i></b>	<u>(16,444)</u>	<u>(7,332)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(132,191)	95,410
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>281,979</u>	<u>186,569</u>
<b>CASH AND CASH EQUIVALENTS - END</b>	<u>\$ 149,788</u>	<u>\$ 281,979</u>
 <b><i>Supplemental disclosures of cash flow information</i></b>		
<b><i>Cash paid during the year for:</i></b>		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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See notes to financial statements

**ROAD RECOVERY FOUNDATION INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2008**  
*(With comparative totals for 2007)*

	<b>2008</b>				<b>2007</b>
	<i>Program</i>	<i>Management And General</i>	<i>Fund Raising</i>	<i>Total</i>	<i>Total</i>
Administrative personnel	\$ 83,334	\$ 50,000	\$ 66,666	\$ 200,000	\$ 200,000
Program personnel	20,925	-	-	20,925	52,091
Professional fees	17,130	275	-	17,405	9,100
Production costs	16,675	-	-	16,675	304
Rent	3,840	15,360	-	19,200	18,000
Local transportation and automobile	11,412	5,329	-	16,741	28,446
Insurance	6,596	7,242	-	13,838	30,803
Payroll taxes	8,035	3,846	5,127	17,008	23,269
Accounting fees	11,600	6,025	2,000	19,625	18,233
Travel and conferences	6,915	-	5,401	12,316	12,358
Office expenses	21,485	3,129	2,745	27,359	19,298
Telephone	2,495	1,356	1,355	5,206	5,020
Depreciation	-	3,654	-	3,654	2,018
Other expenses	1,660	160	-	1,820	5,975
	<u>\$ 212,102</u>	<u>\$ 96,376</u>	<u>\$ 83,294</u>	<u>\$ 391,772</u>	<u>\$ 424,915</u>

*See notes to financial statements*

# ROAD RECOVERY FOUNDATION INC.

## *NOTES TO FINANCIAL STATEMENTS* *DECEMBER 31, 2008*

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### 1. ORGANIZATION

#### **Organization**

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 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.

### 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, 2008 and 2007, the Organization's net assets are unrestricted.

#### **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.

**ROAD RECOVERY FOUNDATION INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

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**Cash and Cash Equivalents**

The Organization's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash equivalents include money market account balances.

**Equipment**

Equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets acquired and donated, which is generally 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 and New York City sales and income taxes.

**Functional Allocation of Expenses**

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.

**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	\$29,441
Accumulated depreciation	<u>(9,140)</u>
	<u>\$20,301</u>

Depreciation expense for the year ended December 31, 2008 was \$3,654.

**ROAD RECOVERY FOUNDATION INC.**

***NOTES TO FINANCIAL STATEMENTS***  
***DECEMBER 31, 2008***

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**4. PROGRAM SERVICE REVENUE**

In 2008, the agreement with Caron Treatment Centers (“Caron”) to provide services to Caron related to the Road Recovery Keeping It Real Program ended. Included in program service revenue is approximately \$25,000 of reimbursed expenses from Caron.

On January 2, 2008, the agreement with the Center for Living (“CFL”) to provide services to CFL related to the development and operation of Road Recovery programming at the New York City based facility to treat youths also ended. Included in program service revenue for 2008 is approximately \$19,000 of reimbursed expenses from CFL.

**5. COMMITMENTS**

The Organization leases space on a month to month basis in New York, NY. Rent expense for the year ended December 31, 2008 was approximately \$19,000.