

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 AND 2014**

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors

**EDWINS Leadership and Restaurant Institute and EDWINS Second Chance Life Skills Center**  
Cleveland, Ohio

We have audited the accompanying consolidated financial statements of **EDWINS Leadership and Restaurant Institute and EDWINS Second Chance Life Skills Center** (nonprofit organizations) which comprise the consolidated statement of financial position as of July 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **EDWINS Leadership and Restaurant Institute and EDWINS Second Chance Life Skills Center** as of July 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Prior Period Financial Statements

The 2014 consolidated financial statements were compiled by other accountant and their report thereon, dated October 8, 2015, stated they did not audit or review those consolidated financial statements and, accordingly, express no opinion or other form of assurance on them.

*Zimmer & Co. LLP*

Cleveland, Ohio  
May 27, 2016

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

<b>ASSETS</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 647,949	\$ 162,469
Certificates of deposit	12,505	0
Unconditional promises to give - Unrestricted	50,000	0
Contract and accounts receivable	5,064	2,491
Investments	497,590	0
Inventory	59,500	56,640
Prepaid expenses	14,772	4,508
Total Current Assets	<u>1,287,380</u>	<u>226,108</u>
<b>Property and Equipment</b>		
Property held for development	134,748	0
Leasehold improvements	89,841	79,174
Furniture and equipment	69,188	55,972
Vehicles	8,267	0
Accumulated depreciation	(41,952)	(14,807)
Net Property and Equipment	<u>260,092</u>	<u>120,339</u>
<b>Other Assets</b>		
Liquor license	30,000	30,000
Deposits	7,150	1,600
Smallwares	12,792	12,792
Total Other Assets	<u>49,942</u>	<u>44,392</u>
Total Assets	<u><u>\$ 1,597,414</u></u>	<u><u>\$ 390,839</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,389	\$ 10,641
Accrued expenses	52,549	34,335
Current portion of deferred lease liability	2,392	3,382
Total Current Liabilities	<u>59,330</u>	<u>48,358</u>
<b>Long-Term Liabilities</b>		
Deferred lease liability, not of current portion	23,130	25,522
Total Long-Term Liabilities	<u>23,130</u>	<u>25,522</u>
Total Liabilities	<u>82,460</u>	<u>73,880</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	672,799	316,959
Board designated for Second Chances	839,700	0
Total Unrestricted	<u>1,512,499</u>	<u>316,959</u>
Temporarily restricted	2,455	0
Total Net Assets	<u>1,514,954</u>	<u>316,959</u>
Total Liabilities and Net Assets	<u><u>\$ 1,597,414</u></u>	<u><u>\$ 390,839</u></u>

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND CHANCE LIFE  
SKILLS CENTER**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2015 (AUDITED)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support</b>			
Contributions			
Individual	\$ 1,164,318	\$ 2,455	\$ 1,166,773
Corporate	16,660	0	16,660
Foundations	313,700	0	313,700
Restaurant	221,547	0	221,547
Direct public support - Other	250	0	250
Indirect public support	7,500	0	7,500
Special events			
Gross revenue	65,980	0	65,980
Less: Direct expenses	(14,280)	0	(14,280)
Miscellaneous fees and income	5,410	0	5,410
Interest and dividend income	1,179	0	1,179
Investment gains and (losses)	(2,410)	0	(2,410)
Total Support	<u>1,779,854</u>	<u>2,455</u>	<u>1,782,309</u>
<b>Revenue</b>			
Restaurant operations	1,176,111	0	1,176,111
Cost of goods sold	<u>(402,670)</u>	<u>0</u>	<u>(402,670)</u>
Net Revenue	<u>773,441</u>	<u>0</u>	<u>773,441</u>
Total Support and Revenue	<u>2,553,295</u>	<u>2,455</u>	<u>2,555,750</u>
<b>Expenses</b>			
Program expenses	461,773	0	461,773
Restaurant expenses	422,210	0	422,210
Management and general	421,206	0	421,206
Fundraising	<u>52,565</u>	<u>0</u>	<u>52,565</u>
Total Expenses	<u>1,357,755</u>	<u>0</u>	<u>1,357,755</u>
<b>Change in Net Assets</b>	1,195,540	2,455	1,197,995
<b>Net Assets at Beginning of Year</b>	<u>316,959</u>	<u>0</u>	<u>316,959</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,512,499</u>	<u>\$ 2,455</u>	<u>\$ 1,514,954</u>

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND CHANCE LIFE  
SKILLS CENTER**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2014 (COMPILED)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support</b>			
Contributions			
Individual	\$ 84,518	\$ 0	\$ 84,518
Corporate	47,409	0	47,409
Foundations	372,175	0	372,175
Restaurant	214,920	0	214,920
Miscellaneous fees and income	243	0	243
Interest and dividend income	53	0	53
Total Support	<u>719,318</u>	<u>0</u>	<u>719,318</u>
<b>Revenue</b>			
Restaurant operations	1,100,948	0	1,100,948
Cost of goods sold	<u>(411,451)</u>	<u>0</u>	<u>(411,451)</u>
Net Revenue	<u>689,497</u>	<u>0</u>	<u>689,497</u>
Total Support and Revenues	1,408,815	0	1,408,815
<b>Expenses</b>			
Program expenses	316,397	0	316,397
Restaurant expenses	492,587	0	492,587
Management and general	332,600	0	332,600
Fundraising	<u>44,682</u>	<u>0</u>	<u>44,682</u>
Total Expenses	<u>1,186,266</u>	<u>0</u>	<u>1,186,266</u>
<b>Change in Net Assets</b>	222,549	0	222,549
<b>Net Assets at Beginning of Year</b>	<u>94,410</u>	<u>0</u>	<u>94,410</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 316,959</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 316,959</u></u>

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND CHANCE LIFE SKILLS CENTER**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JULY 31, 2015 (AUDITED)**

	<u>Program Expenses</u>	<u>Restaurant Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and Related Expenses</b>					
Salaries and wages	\$ 369,666	\$ 193,033	\$ 200,964	\$ 40,193	\$ 803,855
Payroll taxes	32,171	16,592	17,416	3,483	69,662
Total Salaries and Related Expenses	401,837	209,625	218,379	43,676	873,517
<b>Contract Services</b>					
Professional fees	295	753	49,821	1,573	52,442
Bank fees	0	692	32,913	1,039	34,644
Other services	281	697	46,207	1,459	48,644
Total Contract Services	576	2,142	128,941	4,072	135,730
<b>Facilities and Equipment</b>					
Equipment rental and maintenance	1,749	22,000	3,239	0	26,988
Rent	10,698	55,687	0	0	66,385
Utilities	1,867	27,276	0	0	29,143
Telephone	0	14,658	2,069	517	17,245
Printing and copying	1,190	17,055	2,576	644	21,465
Decorations	0	3,310	0	102	3,412
Other facility costs	0	33,221	5,554	1,388	40,163
Total Facilities and Equipment	15,504	173,206	13,438	2,652	204,801

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



EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND CHANCE LIFE SKILLS CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2015 (AUDITED)  
(CONTINUED FROM PREVIOUS PAGE)

<b>Other Expenses</b>						
Supplies	2,107	32,516	8,993	1,349	44,966	
Uniforms	703	0	0	0	703	
Travel, meals, and entertainment	495	48	25,860	817	27,220	
Education and training	9,241	0	0	0	9,241	
Insurance	2,048	4,673	20,167	0	26,888	
Donations and gifts	5,125	0	0	0	5,125	
Miscellaneous	2,420	0	0	0	2,420	
Total Other Expenses	<u>22,140</u>	<u>37,238</u>	<u>55,020</u>	<u>2,166</u>	<u>116,563</u>	
Total Expenses Before Depreciation and Amortization	440,057	422,210	415,777	52,565	1,330,610	
<b>Depreciation and Amortization Expense</b>	21,716	0	5,429	0	27,145	
Total Expenses	<u>\$ 461,773</u>	<u>\$ 422,210</u>	<u>\$ 421,206</u>	<u>\$ 52,565</u>	<u>\$ 1,357,755</u>	
	34%	31%	31%	4%	100%	

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND CHANCE LIFE SKILLS CENTER**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JULY 31, 2014 (COMPILED)**

	<u>Program Expenses</u>	<u>Restaurant Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and Related Expenses</b>					
Salaries and wages	\$ 251,833	\$ 183,209	\$ 155,372	\$ 31,074	\$ 621,489
Payroll taxes	27,251	21,266	17,328	3,466	69,310
Total Salaries and Related Expenses	279,083	204,475	172,700	34,540	690,799
<b>Contract Services</b>					
Professional fees	18	654	31,952	1,009	33,633
Bank fees	0	666	31,701	1,001	33,368
Other services	258	497	35,655	1,126	37,537
Total Contract Services	276	1,817	99,308	3,136	104,538
<b>Facilities and Equipment</b>					
Equipment rental and maintenance	5,034	27,112	4,384	0	36,530
Rent	0	82,725	0	0	82,725
Utilities	0	250	0	0	250
Telephone	0	10,782	1,522	381	12,685
Printing and copying	0	8,255	1,165	291	9,712
Decorations	0	3,849	0	119	3,968
Other facility costs	0	115,913	16,428	4,107	136,448
Total Facilities and Equipment	5,034	248,886	23,499	4,898	282,318

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND CHANCE LIFE SKILLS CENTER**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JULY 31, 2014 (COMPILED)  
(CONTINUED FROM PREVIOUS PAGE)**

<b>Other Expenses</b>					
Supplies	9,552	34,732	11,502	1,725	57,512
Travel, meals, and entertainment	254	0	12,132	383	12,769
Education and training	11,538	0	0	0	11,538
Insurance	0	2,676	8,030	0	10,705
<b>Total Other Expenses</b>	<u>21,344</u>	<u>37,408</u>	<u>31,663</u>	<u>2,108</u>	<u>92,524</u>
Total Expenses Before Depreciation and Amortization	305,739	492,587	327,171	44,682	1,170,178
<b>Depreciation and Amortization Expense</b>	10,659	0	5,429	0	16,088
<b>Total Expenses</b>	<u>\$ 316,397</u>	<u>\$ 492,587</u>	<u>\$ 332,600</u>	<u>\$ 44,682</u>	<u>\$ 1,186,266</u>
	27%	42%	28%	4%	100%

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,197,995	222,549
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	27,145	16,088
Deferred lease liability	(3,382)	28,904
Gain on insurance proceeds	0	(2,080)
(Increase) decrease in operating assets		
Certificates of deposit	(12,505)	
Unconditional promises to give - Unrestricted	(50,000)	0
Contract and accounts receivable	(2,573)	(2,491)
Inventory	(2,860)	(56,640)
Prepaid expenses	(10,264)	(4,508)
Increase (decrease) in operating liabilities		
Accounts payable	(6,252)	10,665
Accrued expenses	18,213	33,199
Net Cash Provided by Operating Activities	1,155,517	245,686
<b>Cash Flows from Investing Activities</b>		
Acquisition of fixed assets	(166,897)	(154,538)
Net investment activity	(497,590)	0
Increase in deposits	(5,550)	0
Net Cash Used by Investing Activities	(670,037)	(154,538)
<b>Net Increase in Cash and Cash Equivalents</b>	485,480	91,148
<b>Cash and Cash Equivalents at Beginning of Year</b>	162,469	71,321
<b>Cash and Cash Equivalents at End of Year</b>	\$ 647,949	\$ 162,469

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

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING  
POLICIES**

Nature of the Organizations

The accompanying consolidated financial statements include the accounts of EDWINS Leadership and Restaurant Institute (EDWINS) and EDWINS Second Chance Life Skills Center (Second Chance), (collectively referred to as the Organizations). Intercompany transactions and balances have been eliminated in consolidation. EDWINS was incorporated as nonprofit corporation in July 2007 and Second Chance was incorporated as a nonprofit corporation in July 2015. EDWINS takes a unique approach at giving formerly-incarcerated adults a foundation in the hospitality industry while providing a support network necessary for a successful reentry into society, by teaching a skilled trade in the culinary arts, empowering willing minds through passion for the hospitality industry and preparing students for a successful transition into the world of business professionals. EDWINS also enhances the community of Cleveland's vulnerable neighborhoods by providing for its future leaders. Second Chance is a living community designed to provide program participants with a stable living environment that is nearby and affordable, which increases the participants' likelihood of completing the programs and moving forward into future career success. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

Consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, the Organizations are required to report information regarding their consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

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

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off any uncollectible portion at year-end.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

Promises to Give (Continued)

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organizations use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2015 and 2014, management believes that all receivables are collectible and therefore no valuation allowance is necessary.

Investments

Investments are valued at market.

Donated investments are reflected as contributions at their market values at date of receipt. Dividend and interest income and gains and losses on investments are reflected in current unrestricted activities unless temporarily or permanently restricted, either by law or explicit donor stipulation, in which case they would be reported in either temporarily or permanently restricted activities.

Valuation of Long-Lived Assets

The Organizations review for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the estimated future net cash flows are less than the carrying amount of the asset. No impairment losses were recognized in fiscal 2015 and 2014.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

It is the Organizations' policy to capitalize expenditures for these items in excess of \$1,000.

Donated Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organizations' policy to imply a time restriction, based on the estimated useful lives of the assets, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Organizations reclassify temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense. There was no donated equipment during the years ended July 31, 2015 and 2014.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or 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. Funds received related to conditional grants are classified as refundable advances until expended for the purposes of the grants.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organizations consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the Statement of Cash Flows.

Inventory

Inventory is stated at the lower of cost or fair market value on a first-in, first-out method of valuation and consisted of the following at July 31, 2015 and 2014:

	2015	2014
Food	\$ 16,282	\$ 13,789
Beverage	43,218	42,851
Total	\$ 59,500	\$ 56,640

Pervasiveness of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 vary from the estimates that were used.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

Concentrations of Credit Risk

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist primarily of cash and cash equivalents and accounts and pledges receivable. The Organizations maintain their cash and cash equivalents with financial institutions and although they have invested amounts in excess of the federal insurance limits, the Board of Directors does not feel that the Organizations are exposed to any substantial credit risk. Concentrations with respect to trade and pledges receivable are limited due to the varied customer and donor base. As of July 31, 2015 and 2014, the Organizations had no other significant concentrations of credit risk.

Functional Expense Allocation

Costs of providing various programs and supporting services are allocated based on specific identification, if practical, or management's estimation of the respective functions benefited.

Advertising

Advertising costs are expensed when incurred.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

The Organizations have evaluated subsequent events through May 27, 2016, the date the consolidated financial statements were available to be issued, and all such events have been properly disclosed in these consolidated financial statements.

**NOTE B - PROMISES TO GIVE**

Unconditional promises to give at July 31, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
Unrestricted promises	<u>\$ 50,000</u>	<u>\$ 0</u>
Amounts due in:		
Less than one year	<u>\$ 50,000</u>	<u>\$ 0</u>



**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE C - INVESTMENTS**

The following is a summary of aggregate costs and market values of investments at July 31, 2015. No investments were held by the Organizations at July 31, 2014.

		2015	
	Cost	Market Value	Unrealized Loss
Cash and cash equivalents	\$ 8,039	\$ 8,039	\$ 0
Mutual funds	491,015	489,551	(1,464)
	\$ 499,054	\$ 497,590	\$ (1,464)

**NOTE D - FAIR VALUE OF FINANCIAL ASSETS**

The Organizations use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC 820-10, the Organizations have categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy:

**Level 1** – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organizations have the ability to access. These include investments that are recorded at fair value on a recurring basis and fair value measurement is based upon quoted prices, if available. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange and other exchange trade securities.

**Level 2** – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for subsequently the full term of the asset or liability.

**Level 3** – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE D - FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)**

The following table presents the Organizations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of July 31, 2015. The Organizations did not have any assets or liabilities measured at fair value as of July 31, 2014.

	2015			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Market	\$ 8,039	\$ 8,039	\$ 0	\$ 0
Mutual funds				
Franklin K2 Alternative	20,090	20,090	0	0
Franklin Adjustable US Government	60,016	60,016	0	0
Locorr Market Trend Fund Class I	19,905	19,905	0	0
Lord Abbott Short Duration Income Fund	49,860	49,860	0	0
MFS Total Return Fund Class I	130,233	130,233	0	0
Metropolitan West Total Return Bond	48,972	48,972	0	0
Putnam Capital Spectrum Fund Class Y	24,014	24,014	0	0
Putman Absolute Return 500 Fund	136,461	136,461	0	0
	<u>\$ 497,590</u>	<u>\$ 497,590</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTE E - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at July 31, 2015 and 2014 are available for the following purposes or periods:

	2015	2014
Restricted for Second Chances	\$ 2,455	\$ 0
	<u>\$ 2,455</u>	<u>\$ 0</u>

**NOTE F - DONATED SERVICES**

During 2015, EDWINS received donated legal services related to legal situations surrounding the formation of Second Chance. The value of the donated legal services was not provided by the legal firm for the year ended July 31, 2015 and therefore could not be determined.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2015 (AUDITED) AND 2014 (COMPILED)**

**NOTE G - LINE OF CREDIT**

In April, 2015, EDWINS entered into a \$25,000 revolving line of credit with a bank with interest at the Prime Rate (3.25% at July 31, 2015) plus 2.250%. The line of credit is secured by all the assets of EDWINS. The line of credit had a balance of \$0 as of July 31, 2015.

**NOTE H - OPERATING LEASES**

The Organizations lease equipment and restaurant space. The lease payments on the restaurant space are being recognized on a straight-line basis over the life of the lease, and a corresponding amortization of the deferred lease liability has been recorded.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of July 31, 2015:

2016	\$ 66,560
2017	68,446
2018	69,646
2019	63,314
2020	<u>63,600</u>
Total minimum payments required	<u>\$ 331,566</u>

**NOTE I - INCOME TAXES**

The Organizations are exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income, including unrelated debt-financed income and advertising income, which is subject to taxation.

As of August 1, 2013 and for the years ended July 31, 2015 and 2014, the Organizations had not engaged in any activity which management considers to be activity that could result in a loss of their 501(c)(3) IRS designations. As well, management does not consider any of the activity of the Organizations to be considered unrelated business income that could result in income tax.

For the years ended July 31, 2015 and 2014, there was no tax interest or penalties reflected in the statement of activities or in the consolidated statement of financial position. The Organizations are no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for years before 2011.



**zinner&co.**

Certified Public Accountants and Management Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON CONSOLIDATING INFORMATION**

Board of Directors

**EDWINS Leadership and Restaurant Institute and EDWINS Second Chance Life Skills Center**  
Cleveland, Ohio

We have audited the consolidated financial statements of **EDWINS Leadership and Restaurant Institute and EDWINS Second Chance Life Skills Center** as of and for the year ended July 31, 2015, and our report thereon dated May 27, 2016, which expressed an unmodified opinion on those financial statements, appears on page 1. The 2014 consolidated financial statements were compiled by other accountant and their report thereon, dated October 8, 2015, which stated they did not audit or review those consolidated financial statements and, accordingly, expressed no opinion or other form of assurance on them, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Zinner & Co. LLP*

Cleveland, Ohio  
May 27, 2016

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

JULY 31, 2015 (AUDITED)

	<u>EDWINS Restaurant &amp; Leadership Institute</u>	<u>EDWINS Second Chance Life Skills Center</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 636,831	\$ 11,118	\$ 647,949
Certificates of deposit	12,505	0	12,505
Unconditional promises to give - Unrestricted	50,000	0	50,000
Contract and accounts receivable	5,064	0	5,064
Investments	497,590	0	497,590
Inventory	59,500	0	59,500
Prepaid expenses	14,772	0	14,772
Total Current Assets	1,276,262	11,118	1,287,380
<b>Property and Equipment</b>			
Property held for development	0	134,748	134,748
Leasehold improvements	89,841	0	89,841
Furniture and equipment	68,629	559	69,188
Vehicles	8,267	0	8,267
Accumulated depreciation	(41,952)	0	(41,952)
Net Property and Equipment	124,785	135,307	260,092
<b>Other Assets</b>			
Liquor license	30,000	0	30,000
Deposits	2,150	5,000	7,150
Smallwares	12,792	0	12,792
Total Other Assets	44,942	5,000	49,942
Total Assets	\$ 1,445,989	\$ 151,425	\$ 1,597,414
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 4,389	\$ 0	\$ 4,389
Accrued expenses	52,549	0	52,549
Current portion of deferred lease liability	2,392	0	2,392
Total Current Liabilities	59,330	0	59,330
<b>Long-Term Liabilities</b>			
Deferred lease liability, net of current portion	23,130	0	23,130
Total Long-Term Liabilities	23,130	0	23,130
Total Liabilities	82,460	0	82,460
<b>Net Assets</b>			
Unrestricted	1,361,074	151,425	1,512,499
Temporarily restricted	2,455	0	2,455
Total Net Assets	1,363,529	151,425	1,514,954
Total Liabilities and Net Assets	\$ 1,445,989	\$ 151,425	\$ 1,597,414

See independent auditor's report on supplementary information.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**JULY 31, 2014 (COMPILED)**

	<b>EDWINS Restaurant &amp; Leadership Institute</b>	<b>EDWINS Second Chance Life Skills Center</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 162,469	\$ 0	\$ 162,469
Contract and accounts receivable	2,491	0	2,491
Investments	0	0	0
Inventory	56,640	0	56,640
Prepaid expenses	4,508	0	4,508
Total Current Assets	226,108	0	226,108
<b>Property and Equipment</b>			
Leasehold improvements	79,174	0	79,174
Furniture and equipment	55,972	0	55,972
Accumulated depreciation	(14,807)	0	(14,807)
Net Property and Equipment	120,339	0	120,339
<b>Other Assets</b>			
Liquor license	\$ 30,000	\$ 0	\$ 30,000
Deposits	1,600	0	1,600
Smallwares	12,792	0	12,792
Total Other Assets	44,392	0	44,392
Total Assets	\$ 390,839	\$ 0	\$ 390,839
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	10,641	0	\$ 10,641
Accrued expenses	34,335	0	34,335
Current portion of deferred lease liability	3,382	0	3,382
Total Current Liabilities	48,358	0	48,358
<b>Long-Term Liabilities</b>			
Deferred lease liability, net of current portic	25,522	0	25,522
Total Long-Term Liabilities	25,522	0	25,522
Total Liabilities	73,880	0	73,880
<b>Net Assets</b>			
Unrestricted	316,959	0	316,959
Total Net Assets	316,959	0	316,959
Total Liabilities and Net Assets	\$ 390,839	\$ 0	\$ 390,839

See independent auditor's report on supplementary information.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATING STATEMENT OF UNRESTRICTED ACTIVITIES**

**FOR THE YEAR ENDED JULY 31, 2015 (AUDITED)**

	<b>EDWINS Restaurant &amp; Leadership Institute</b>	<b>EDWINS Second Chance Life Skills Center</b>	<b>Eliminations</b>	<b>Total</b>
<b>UNRESTRICTED NET ASSETS</b>				
<b>Support</b>				
Contributions				
Individual	\$ 1,164,318	\$ 160,300	\$ (160,300)	\$ 1,164,318
Corporate	16,660	0	0	16,660
Foundations	313,700	0	0	313,700
Restaurant	221,547	0	0	221,547
Direct public support - Other	250	0	0	250
Indirect public support	7,500	0	0	7,500
Special events				
Gross revenue	65,980	0	0	65,980
Less: Direct expenses	(14,280)	0	0	(14,280)
Miscellaneous fees and income	4,902	508	0	5,410
Interest and dividend income	1,179	0	0	1,179
Investment gains and (losses)	(2,410)	0	0	(2,410)
Total Support	<u>1,779,346</u>	<u>160,808</u>	<u>(160,300)</u>	<u>1,779,854</u>
<b>Revenue</b>				
Restaurant operations	1,176,111	0	0	1,176,111
Cost of goods sold	<u>(402,670)</u>	<u>0</u>	<u>0</u>	<u>(402,670)</u>
Net Revenue	773,441	0	0	773,441
Total Support and Revenue	2,552,787	160,808	(160,300)	2,553,295
<b>Expenses</b>				
Program expenses	622,073	0	(160,300)	461,773
Restaurant expenses	412,827	9,383	0	422,210
Management and general	421,206	0	0	421,206
Fundraising	52,565	0	0	52,565
Total Expenses	<u>1,508,672</u>	<u>9,383</u>	<u>(160,300)</u>	<u>1,357,755</u>
<b>Change in Unrestricted Net Assets</b>	1,044,115	151,425	0	1,195,540

See independent auditor's report on supplementary information.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATING STATEMENT OF TEMPORARILY RESTRICTED ACTIVITIES**

**FOR THE YEAR ENDED JULY 31, 2015 (AUDITED)**

	<b>EDWINS Restaurant &amp; Leadership Institute</b>	<b>EDWINS Second Chances Life Skills Center</b>	<b>Eliminations</b>	<b>Total</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
<b>Support</b>				
Contributions				
Individual	\$ 2,455	\$ 0	\$ 0	\$ 2,455
Total Support	<u>2,455</u>	<u>0</u>	<u>0</u>	<u>2,455</u>
<b>Change in Temporarily Restricted Net Assets</b>	<u>2,455</u>	<u>0</u>	<u>0</u>	<u>2,455</u>
<b>CHANGE IN NET ASSETS</b>	<u><u>\$ 1,046,570</u></u>	<u><u>\$ 151,425</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,197,995</u></u>

See independent auditor's report on supplementary information.



**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATING STATEMENT OF UNRESTRICTED ACTIVITIES**

**FOR THE YEAR ENDED JULY 31, 2014 (COMPILED)**

	<b>EDWINS Restaurant &amp; Leadership Institute</b>	<b>EDWINS Second Chance Life Skills Center</b>	<b>Eliminations</b>	<b>Total</b>
<b>UNRESTRICTED NET ASSETS</b>				
<b>Support</b>				
Contributions				
Individual	\$ 84,518	\$ 0	\$ 0	\$ 84,518
Corporate	47,409	0	0	47,409
Foundations	372,175	0	0	372,175
Restaurant	214,920	0	0	214,920
Miscellaneous fees and income	243	0	0	243
Interest and dividend income	53	0	0	53
Total Support	<u>719,318</u>	<u>0</u>	<u>0</u>	<u>719,318</u>
<b>Revenue</b>				
Restaurant operations	1,100,948	0	0	1,100,948
Cost of goods sold	<u>(411,451)</u>	<u>0</u>	<u>0</u>	<u>(411,451)</u>
Net Revenue	689,497	0	0	689,497
Total Support and Revenue	1,408,815	0	0	1,408,815
<b>Expenses</b>				
Program expenses	316,397	0	0	316,397
Restaurant expenses	492,587	0	0	492,587
Management and general	332,600	0	0	332,600
Fundraising	44,682	0	0	44,682
Total Expenses	<u>1,186,266</u>	<u>0</u>	<u>0</u>	<u>1,186,266</u>
<b>Change in Unrestricted Net Assets</b>	222,549	0	0	222,549

See independent auditor's report on supplementary information.

**EDWINS LEADERSHIP AND RESTAURANT INSTITUTE AND EDWINS SECOND  
CHANCE LIFE SKILLS CENTER**

**CONSOLIDATING STATEMENT OF TEMPORARILY RESTRICTED ACTIVITIES**

**FOR THE YEAR ENDED JULY 31, 2014 (COMPILED)**

	<u>EDWINS Restaurant &amp; Leadership Institute</u>	<u>EDWINS Second Chance Life Skills Center</u>	<u>Eliminations</u>	<u>Total</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
<b>Support</b>				
Contributions				
Individual	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Support	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Change in Temporarily Restricted Net Assets</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>CHANGE IN NET ASSETS</b>	<u><u>\$ 222,549</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 222,549</u></u>

See independent auditor's report on supplementary information.