StriveTogether, Inc. and Subsidiary

Consolidated Financial Statements
December 31, 2019 and 2018 and
Independent Auditors' Report

STRIVETOGETHER, INC. AND SUBSIDIARY
December 31, 2019 and 2018

Contents

BARNES DENNIG
Accounting • Tax • Business Insight

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Independent Auditors' Report

The Board of Trustees
StriveTogether, Inc. and Subsidiary
Cincinnati, Ohio

We have audited the accompanying consolidated financial statements of StriveTogether, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audits. We conducted our audits 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 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 StriveTogether, Inc. and Subsidiary as of December 31, 2019 and 2018, 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.

Independent Auditors' Report
(Continued)

Effect of Adopting New Accounting Standards

As discussed in Note 1 to the consolidated financial statements, StriveTogether, Inc. and Subsidiary have adopted Accounting Standards Update (ASU) 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 - *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to this matter.

Barnes, Dennig & Co., Ltd.

April 7, 2020
Cincinnati, Ohio

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 3,806,503	$ 3,071,380
Accounts receivable	60,222	68,961
Grants receivable, net	1,131,579	2,777,844
Prepaid expenses and other assets	394,882	681,965
Property and equipment, net	505,449	309,607
Total assets	$ 5,898,635	$ 6,909,757
Liabilities		
Accounts payable	$ 117,305	$ 167,609
Grants payable	-	137,206
Accrued liabilities	421,389	432,681
Deferred revenue	68,142	35,000
Capital lease obligation	21,523	27,205
Straight-line rent liability	39,218	30,155
Total liabilities	667,577	829,856
Net Assets		
Without donor restrictions	2,777,187	1,735,210
With donor restrictions	2,453,871	4,344,691
Total net assets	5,231,058	6,079,901
Total liabilities and net assets	$ 5,898,635	$ 6,909,757

See accompanying notes to consolidated financial statements

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Grant revenue	$ 2,065	$ 15,154,663	$ 15,156,728
Contract service fees	296,989	-	296,989
Other revenue	604,341	-	604,341
Membership fees	168,751	-	168,751
Net assets released from restrictions	17,045,483	(17,045,483)	-
Total revenues and other support	18,117,629	(1,890,820)	16,226,809
Expenses			
Grants to other organizations	8,168,789	-	8,168,789
Personnel	4,597,158	-	4,597,158
Conferences, conventions, and meetings	1,263,866	-	1,263,866
Consulting and professional	940,100	-	940,100
Information technology	605,374	-	605,374
Travel	440,129	-	440,129
Depreciation and amortization	339,421	-	339,421
Communications	248,017	-	248,017
Occupancy	239,927	-	239,927
Other	232,871	-	232,871
Total expenses	17,075,652	-	17,075,652
Change in net assets	1,041,977	(1,890,820)	(848,843)
Net assets, beginning of year	1,735,210	4,344,691	6,079,901
Net assets, end of year	$ 2,777,187	$ 2,453,871	$ 5,231,058

See accompanying notes to consolidated financial statements

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Grant revenue	$ 1,000	$ 10,942,745	$ 10,943,745
In-kind donations	-	769,432	769,432
Contract service fees	241,475	-	241,475
Other revenue	397,546	-	397,546
Membership fees	166,458	-	166,458
Net assets released from restrictions	14,102,904	(14,102,904)	-
Total revenues and other support	14,909,383	(2,390,727)	12,518,656
Expenses			
Grants to other organizations	7,322,552	-	7,322,552
Personnel	3,126,874	-	3,126,874
Consulting and professional	997,557	-	997,557
Conferences, conventions, and meetings	798,854	-	798,854
Travel	531,348	-	531,348
Information technology	275,715	-	275,715
Staff development	234,110	-	234,110
Communications	210,701	-	210,701
Depreciation	177,793	-	177,793
Other	163,820	-	163,820
Occupancy	155,700	-	155,700
Total expenses	13,995,024	-	13,995,024
Change in net assets	914,359	(2,390,727)	(1,476,368)
Net assets, beginning of year	820,851	6,735,418	7,556,269
Net assets, end of year	$ 1,735,210	$ 4,344,691	$ 6,079,901

See accompanying notes to consolidated financial statements

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program	Management and General	Fundraising	Total
Grants to other organizations	$ 8,168,789	$ -	$ -	$ 8,168,789
Personnel	2,905,149	957,741	734,268	4,597,158
Conferences, conventions, and meetings	1,197,402	63,925	2,539	1,263,866
Consulting and professional	681,923	152,317	105,860	940,100
Information technology	294,902	196,688	113,784	605,374
Travel	311,093	84,295	44,741	440,129
Depreciation and amortization	214,495	70,713	54,213	339,421
Communications	143,264	52,386	52,367	248,017
Occupancy	151,620	49,985	38,322	239,927
Other	81,890	138,013	12,968	232,871
Total expenses	$ 14,150,527	$ 1,766,063	$ 1,159,062	$ 17,075,652

See accompanying notes to consolidated financial statements

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Grants to other organizations	$ 7,322,552	$ -	$ -	$ 7,322,552
Personnel	2,110,640	651,432	364,802	3,126,874
Conferences, conventions, and meetings	756,310	37,552	4,992	798,854
Consulting and professional	680,362	78,663	238,532	997,557
Information technology	56,070	219,175	470	275,715
Travel	346,203	138,103	47,042	531,348
Depreciation and amortization	120,010	37,040	20,743	177,793
Communications	148,961	37,020	24,720	210,701
Occupancy	105,099	32,436	18,165	155,700
Other	68,170	90,289	5,361	163,820
Staff development	71,367	154,716	8,027	234,110
Total expenses	$ 11,785,744	$ 1,476,426	$ 732,854	$ 13,995,024

See accompanying notes to consolidated financial statements

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (848,843)	$ (1,476,368)
Adjustments to reconcile change in net assets to net cash from operating activities:		
In-kind donations	-	(769,432)
Depreciation and amortization	339,421	177,793
Changes in:		
Accounts receivable	8,739	39,366
Grants receivable, net	1,646,265	2,453,856
Prepaid expenses and other assets	27,849	23,886
Accounts payable	(50,304)	16,872
Grants payable	(137,206)	(140,813)
Accrued liabilities	(11,292)	340,947
Deferred revenue	33,142	(45,170)
Straight-line rent liability	9,063	9,293
Net cash provided by operating activities	1,016,834	630,230
Cash flows from investing activities		
Purchases of property and equipment	(276,029)	(236,209)
Cash flows from financing activities		
Payments on capital lease obligations	(5,682)	(6,157)
Change in cash and cash equivalents	735,123	387,864
Cash and cash equivalents, beginning of year	3,071,380	2,683,516
Cash and cash equivalents, end of year	$ 3,806,503	$ 3,071,380

See accompanying notes to consolidated financial statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

StriveTogether, Inc. was incorporated as a not-for-profit organization under the laws of the State of Ohio in 2016. The Organization's mission and principal activities include partnering with communities to ensure every child has every chance to succeed because race, ethnicity, poverty and circumstance should not determine opportunity or outcome. The Organization's revenue and other support are derived principally from grants, contract service revenue and membership fees.

StriveTogether, LLC was established under the laws of the State of Ohio in 2007 as a single-member limited liability company of KnowlegeWorks Foundation. StriveTogether, Inc. became the sole member of StriveTogether LLC in March 2017.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities and financial activities of StriveTogether, Inc. and StriveTogether, LLC (collectively referred to as "Organization"). All significant inter-organizational balances and transactions have been eliminated for purposes of this presentation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. At December 31, 2019 and 2018, management considers all balances collectible, thus, there is no allowance for doubtful accounts.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Assets held under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

In accordance with GAAP, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at December 31, 2019 and 2018.

Deferred Revenue

Deferred revenues primarily consist of membership fees and contract service fees. Membership fees received in advance are deferred and recognized over time in the period to which the membership relates. Contract service fees received in advance are deferred and recognized, as the performance obligations within the contracts are satisfied.

Contributions

The Organization records gifts of cash and other assets at their fair value as of the date of the contribution or the unconditional commitment. Such donations are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Unconditional gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restrictions and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Organization evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, the Organization evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation.

Revenue from contracts with customers is primarily recognized from membership fees and contract service fees. These contracts consist of a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contracts and, therefore, not distinct. Revenue is recognized by the Organization over the time its services are provided to the client. The Organization generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The determination of the method by which the Organization measures its progress towards the satisfaction of its performance obligations requires judgment.

The transaction price is stated in the contracts and is known at time of contract inception. There is no variable consideration associated with the Organization's contracts with customers. Memberships fees and contract service fees are generally due within 15 business days of invoicing.

In-Kind Donations

The Organization receives certain in-kind donations during the year, which are recorded at fair value and either capitalized or expensed in the financial statements.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the consolidated financial statements.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations are personnel costs, which were allocated based upon estimates of time spent by Organizations' personnel, and depreciation and occupancy, which were allocated based on full-time equivalents in each function.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Effect of Adopting New Accounting Standards

During 2019, the Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), which replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the ASU using the modified retrospective approach to all contracts that were not completed as of the beginning of 2019. Results for reporting periods beginning after December 31, 2018 are presented under Topic 606, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The most significant impact of the adoption of Topic 606 is expanded disclosures for revenue recognition.

During 2019, the Organization adopted FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified how an entity determined whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also required that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of January 1, 2019.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards Update

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization’s year ending December 31, 2021.

The Organization is evaluating the impact of this ASU on its consolidated financial statements.

Reclassifications

Certain 2018 figures have been reclassified to conform to the 2019 presentation.

Subsequent Event Evaluation

Subsequent events have been evaluated through April 7, 2020, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization receives a significant amount of grants that are restricted by the grantors, and considers grants restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations and program commitment will continue to be met, ensuring the Organization’s long-term financial sustainability

To ensure liquidity, the Organization forecasts its future cash flows and monitors its liquidity quarterly. Also, as a part of the liquidity management plan, once daily transactions have posted, any excess funds over $0 in the PNC Checking account are automatically swept into the sweep account to earn interest from the PNC Government Money Market Fund, which is automatically liquidated from our account to cover daily transactions and avoid overdrafts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities to achieve its mission of “The success of every child from cradle to career“ as well as the conduct of administrative and fundraising activities to support program activities to be general expenditures.

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

As of December 31, 2019 and 2018, the following table shows the financial assets held by the Organization and the amounts of those financial assets available within one year of the statement of financial position date to meet general expenditures:

	2019	2018
Cash and cash equivalents	$ 3,806,503	$ 3,071,380
Accounts receivable	60,222	68,961
Grants receivable, net	1,131,579	2,777,844
	4,998,304	5,918,185
Less grants receivable due in one to five years, net of unamortized discount	(438,208)	(835,594)
	$ 4,560,096	$ 5,082,591

Subsequent to year end, the Organization received a $6,700,000 grant from the Ballmer Group that is available to meet general expenditures during 2020.

NOTE 3 CONDITIONAL CONTRIBUTIONS

The Organization has a grant for which the grantor agency's promise to give is conditioned upon the Organization meeting certain requirements under the grant program. At December 31, 2019 and 2018, the Organization had remaining available award balances on conditional grants of $200,000 and $-0-, respectively. These award balances are not recognized as assets and will be recognized as revenue as the conditions are met, generally as qualifications are met.

NOTE 4 GRANTS RECEIVABLE

Grants receivable as of December 31 consisted of the following:

	2019	2018
Due within one year	$ 693,371	$ 1,942,250
Due in one to five years	446,142	857,000
	1,139,513	2,799,250
Less unamortized discount	(7,934)	(21,406)
	$ 1,131,579	$ 2,777,844

Discounts rates ranged from 1.58% to 1.98% for 2019 and 2018.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	2019	2018
Leasehold improvements	$ 408,637	$ 216,339
Furniture and fixtures	126,257	92,343
Computers & equipment	86,824	37,007
	621,718	345,689
Less accumulated depreciation	(116,269)	(36,082)
	$ 505,449	$ 309,607

NOTE 6 CAPITAL LEASE OBLIGATION

The Organization leases property and equipment under a capital lease expiring in November 2024. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease and accordingly, it is recorded in the Organization's assets and liabilities.

Future annual minimum lease payments at December 31, 2019 were:

2020	$ 6,198
2021	6,198
2022	6,198
2023	6,198
2024	5,682
	30,474
Less amount representing interest	(8,951)
	$ 21,523

Property and equipment included the following property held under capital leases at December 31:

	2019	2018
Leasehold improvements	$ 34,590	$ 34,590
Less accumulated depreciation	(11,660)	(6,996)
	$ 22,930	$ 27,594

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 are available for the following purposes or periods:

	2019	2018
Purpose restricted:		
Accelerator Fund	$ 237,991	$ 1,744,158
Student Centered Learning Initiative	663,198	34,602
Capacity building and institutional strengthening	505,218	816,875
Prenatal to age three developmental outcomes	198,398	223,775
Education in Rural Communities	-	35,780
Girl Effect Initiative	-	34,544
Investing in Community Outcomes Network	-	8,363
Time restricted:		
For periods after December 31	849,066	1,446,594
	$ 2,453,871	$ 4,344,691

NOTE 8 OPERATING LEASE

The Organization leases office space under a noncancelable operating lease that expires in December 2025. The lease calls for escalating rent payments to be made over the life of the lease. The straight-line annual rent expense is $105,490.

The Organization also leases office space under a noncancelable operating lease that expires in March 2020. The lease calls for monthly rent payments of $4,605 to be made over the life of the lease.

Rent expense for these leases included in the consolidated statement of activities for the years ended December 31, 2019 and 2018 was $153,764 and $80,242, respectively.

Future annual minimum lease payments at December 31, 2019 are as follows:

2020	$ 158,815
2021	163,298
2022	124,546
2023	113,530
2024	116,358
Thereafter	118,078
	$ 794,625

NOTE 9 RETIREMENT PLAN

The Organization established a defined-contribution 401(k) plan covering substantially all employees. The Organization will match 50% of a participant's elective deferral up to 4% of the participant's compensation. Total 401(k) matching contributions were $179,760 and $120,370 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to concentrations. Three funding sources accounting for approximately 100% and 89% of grants receivable at December 31, 2019 and 2018, respectively. One funding source accounted for approximately 84% and 80% of total revenues and other support for the years ended December 31, 2019 and 2018, respectively.