StriveTogether, Inc. and Subsidiary

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

STRIVETOGETHER, INC. AND SUBSIDIARY
December 31, 2018

Contents

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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 statement of financial position as of December 31, 2018, 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 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 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 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, 2018, 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.

Independent Auditors' Report
(Continued)

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Barnes, Dennig & Co., Ltd.

April 12, 2019
Cincinnati, Ohio

STRIVETOGETHER, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2018

Assets	
Cash and cash equivalents	$ 3,071,380
Accounts receivable	68,961
Grants receivable, net	2,777,844
Prepaid expenses and other assets	681,965
Property and equipment, net	309,607
Total assets	$ 6,909,757
Liabilities	
Accounts payable	$ 167,609
Grants payable	137,206
Accrued liabilities	432,681
Deferred revenue	35,000
Capital lease obligation	27,205
Straight-line rent liability	30,155
Total liabilities	829,856
Net Assets	
Without donor restrictions	1,735,210
With donor restrictions	4,344,691
Total net assets	6,079,901
Total liabilities and net assets	$ 6,909,757

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 revenue	228,075	-	228,075
Other revenue	410,946	-	410,946
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 and amortization	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, 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
Consulting and professional	680,362	78,663	238,532	997,557
Conferences, conventions, and meetings	756,310	37,552	4,992	798,854
Travel	346,203	138,103	47,042	531,348
Information technology	56,070	219,175	470	275,715
Staff development	71,367	154,716	8,027	234,110
Communications	148,961	37,020	24,720	210,701
Depreciation and amortization	120,010	37,040	20,743	177,793
Other	68,170	90,289	5,361	163,820
Occupancy	105,099	32,436	18,165	155,700
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 Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	$ (1,476,368)
Adjustments to reconcile change in net assets to net cash from operating activities:	
In-kind donations	(769,432)
Depreciation and amortization	177,793
Changes in:	
Accounts receivable	39,366
Grants receivable, net	2,453,856
Prepaid expenses and other assets	23,886
Accounts payable	16,872
Grants payable	(140,813)
Accrued liabilities	340,947
Deferred revenue	(45,170)
Straight-line rent liability	9,293
Net cash provided by operating activities	630,230
Cash flows from investing activities	
Purchases of property and equipment	(236,209)
Cash flows from financing activities	
Payments on capital lease obligations	(6,157)
Change in cash and cash equivalents	387,864
Cash and cash equivalents, beginning of year	2,683,516
Cash and cash equivalents, end of year	$ 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 building the capacity of communities to dramatically improve educational outcomes for children by providing strategic assistance, network communications and high-quality resources. 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, 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, 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, 2018.

Deferred Revenue

Memberships received in advance are deferred and recognized in the period to which the memberships relate.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with door restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets without donor restrictions and then released from restriction.

Unconditional gifts 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 gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met, and the gift becomes unconditional.

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.

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

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.

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 Standard

In 2018, the Organization adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Organization adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly.

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

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Organization's year ending December 31, 2019.

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, 2020.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines 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 requires 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. This standard will be effective for the Organization's year ending December 31, 2019.

The Organization is evaluating the impact of these ASUs on its consolidated financial statements.

Subsequent Event Evaluation

Subsequent events have been evaluated through April 12, 2019, 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, on a daily basis, cash balances in the Organization's checking account above $250,000 are automatically swept into its money market account to earn interest.

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.

As of December 31, 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:

Cash and cash equivalents	$ 3,071,380
Accounts receivable	68,961
Grants receivable, net	2,777,844
	5,918,185
Less grants receivable due in one to five years, net of unamortized discount	(835,594)
	$ 5,082,591

Subsequent to year end, the Organization received a $6,100,000 grant from the Ballmer Group that is available to meet general expenditures during 2019.

NOTE 3 GRANTS RECEIVABLE

Grants receivable as of December 31, 2018 consisted of the following:

Due within one year	$ 1,942,250
Due in one to five years	857,000
	2,799,250
Less unamortized discount	(21,406)
	$ 2,777,844

Discounts rates ranged from 1.76% to 1.98% for 2018.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 consisted of the following:

Leasehold improvements	$ 216,339
Furniture and fixtures	92,343
Computers & equipment	37,007
	345,689
Less accumulated depreciation	(36,082)
	$ 309,607

NOTE 5 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.

NOTE 5 CAPITAL LEASE OBLIGATION (CONTINUED)

Future annual minimum lease payments at December 31, 2018 were:

2019	$ 6,198
2020	6,198
2021	6,198
2022	6,198
2023	6,198
Thereafter	5,682
	36,672
Less amount representing interest	(9,467)
	$ 27,205

Property and equipment included the following property held under capital leases at December 31, 2018:

Leasehold improvements	$ 34,590
Less accumulated depreciation	(6,996)
	$ 27,594

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 are available for the following purposes or periods:

Purpose restricted:	
Accelerator Fund	$ 1,744,158
Capacity building and institutional strengthening	816,875
Prenatal to age three developmental outcomes	223,775
Education in Rural Communities	35,780
Student Centered Learning Initiative	34,602
Girl Effect Initiative	34,544
Investing in Community Outcomes Network	8,363
Time restricted:	
For periods after December 31	1,446,594
	$ 4,344,691

NOTE 7 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. Rent expense for this lease included in the consolidated statement of activities for the year ended December 31, 2018 was $80,242.

Future annual minimum lease payments at December 31, 2018 are as follows:

2019	$ 97,640
2020	105,423
2021	108,038
2022	110,731
2023	113,530
Thereafter	234,436
	$ 769,798

NOTE 8 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 $120,370 for the year ended December 31, 2018.

NOTE 9 CONCENTRATIONS

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