

Jesse Lewis Choose Love Movement, Inc.

Financial Statements with Independent Auditor's Report

Years Ended December 31, 2018 and 2017

Jesse Lewis Choose Love Movement, Inc.

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December 31, 2018 and 2017

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Independent Auditor's Report

The Board of Directors
Jesse Lewis Choose Love Movement, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Jesse Lewis Choose Love Movement, Inc. (a Connecticut not-for-profit corporation), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Jesse Lewis Choose Love Movement, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited Jesse Lewis Choose Love Movement, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2019. In our opinion, the summarized comparative information presented herein and as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nanavaty, Nanavaty & Davenport, LLP

September 17, 2019

Jesse Lewis Choose Love Movement, Inc.

Statement of Financial Position

At December 31,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 501,430	\$ 371,494
Investments	89,043	72,227
Equipment, less accumulated depreciation of \$2,386 and \$1,242	3,332	4,476
Total assets	<u>\$ 593,805</u>	<u>\$ 448,197</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accrued expenses	\$ 18,255	\$ 14,343
Deferred grant revenue	200,000	200,000
Total liabilities	<u>218,255</u>	<u>214,343</u>
Net Assets:		
Without restriction	373,136	233,854
With restriction	2,414	-
Total net assets	<u>375,550</u>	<u>233,854</u>
Total liabilities and net assets	<u>\$ 593,805</u>	<u>\$ 448,197</u>

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

Jesse Lewis Choose Love Movement, Inc.

Statement of Activities

Years Ended December 31,

	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	2017
Operating Support and Revenues:				
Contributions	\$ 643,857	\$ 19,422	\$ 663,279	\$ 405,551
Book and merchandise sales	19,712	-	19,712	3,339
Investment return, net	(3,427)	-	(3,427)	806
Total operating support and revenues	660,142	19,422	679,564	409,696
Net assets released from donor restrictions	17,008	(17,008)	-	-
Operating Expenses:				
Program services	475,341	-	475,341	183,677
Supporting services:				
Management and general	54,308	-	54,308	172,760
Fundraising	8,219	-	8,219	6,851
Total program and supporting services	537,868	-	537,868	363,288
Change in net assets	139,282	2,414	141,696	46,408
Net assets at the beginning of the year	233,854	-	233,854	187,446
Net assets at the end of the year	\$ 373,136	\$ 2,414	\$ 375,550	\$ 233,854

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

Jesse Lewis Choose Love Movement, Inc.

Statement of Functional Expenses

Years Ended December 31,

	<u>2018</u>				<u>2017</u>			
	<u>Program Services</u>	<u>Supporting Services Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and taxes	143,426	5,135	1,212	149,772	103,016	61,486	-	164,502
Marketing and promotion	48,721	3,690	3,123	55,534	64,289	-	2,220	66,509
Contract services	35,531	23,119	2,223	60,873	35,728	23,720	-	59,448
Production/program materials	135,957	-	-	135,957	22,119	-	-	22,119
Travel	42,220	1,572	-	43,792	13,089	-	-	13,089
Program materials and merchandise	37,618	-	-	37,618	9,102	-	-	9,102
Website and IT services	11,746	691	-	12,437	-	-	-	-
Donated office space	4,050	1,242	108	5,400	2,754	2,538	108	5,400
Office expense	310	3,934	201	4,445	2,824	2,757	-	5,581
Bank fees	18	479	1,329	1,826	-	-	4,505	4,505
Supplies	14,968	1,975	-	16,943	4,517	910	2,500	7,927
Insurance	-	2,901	-	2,901	-	2,285	-	2,285
Professional fees	-	7,975	-	7,975	-	1,250	-	1,250
Depreciation	583	538	23	1,144	462	427	18	907
Utilities	-	-	-	-	-	514	-	514
Miscellaneous	194	1,057	-	1,251	-	150	-	150
Total expenses	<u>\$ 475,341</u>	<u>\$ 54,308</u>	<u>\$ 8,219</u>	<u>\$ 537,868</u>	<u>\$ 257,900</u>	<u>\$ 96,037</u>	<u>\$ 9,351</u>	<u>\$ 363,288</u>

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

Jesse Lewis Choose Love Movement, Inc.

Statement of Cash Flows

Years Ended December 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 141,696	\$ 46,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,144	907
Net unrealized losses (gains) on investments	4,384	(745)
Donated securities	(11,854)	-
Changes in assets and liabilities:		
Increase (decrease) in accrued expenses	3,912	(2,962)
Increase in deferred grant revenue	-	200,000
Net cash provided by operating activities	<u>139,282</u>	<u>243,607</u>
Cash flows from investing activities:		
Cash paid for acquisition of equipment	-	(2,367)
Cash paid for purchases of investments, net	(9,346)	(26,088)
Net cash used in investing activities	<u>(9,346)</u>	<u>(28,455)</u>
Net increase in cash	129,936	215,152
Cash at beginning of year	371,494	156,342
Cash at end of year	<u>\$ 501,430</u>	<u>\$ 371,494</u>

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

Notes to Financial Statements

NOTE 1 - ORGANIZATION

Jesse Lewis Choose Love Movement, Inc. was founded as a non-profit organization incorporated on January 29, 2013. The Jesse Lewis Choose Love Movement, Inc. was started to honor the founder's son, Jesse, with a mission to ensure that every child has access to Social and Emotional Learning (SEL) in their classrooms to help facilitate this teaching within their families, schools and communities. The *Choose Love Enrichment Program* is a Pre-K through Grade 12 SEL program teaching children how to choose love in any circumstance. The *Choose Love Enrichment Program* is free and available online to all educators. The major sources of revenue are grants, donations and fundraising. The major sources of expenses are program, salaries, and marketing expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The organization's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

As a non-profit corporation, the organization's net assets are classified as net assets without restrictions and net assets with restrictions based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Net assets without restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with restrictions - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the organization.

2. *Cash and Cash Equivalents*

Jesse Lewis Choose Love Movement, Inc. considers all unrestricted cash on deposit with a maturity of three months or less to be cash and cash equivalents. Jesse Lewis Choose Love Movement, Inc. maintains several bank accounts at one financial institution, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Although at times the balance in these accounts may exceed the federally insured limit, the organization has never experienced any losses. The organization also uses an account with an online licensed money transmitter, which is not insured by the FDIC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. *Investment Valuation and Income Recognition*

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the organization's gains and losses on investments bought and sold as well as held during the year.

4. *Contributions*

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. The organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets released from restrictions. Contributions received whose restrictions are met in the same period are recognized with net assets without restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

5. *Equipment and Depreciation*

Equipment is carried at cost. Donated equipment is capitalized at fair value at the time of receipt. Depreciation is computed on the straight-line method over the estimated useful lives of 5 years. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Additions and betterments larger than \$1,000 and with a useful life greater than 1 year are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Jesse Lewis Choose Love Movement, Inc.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. *Income Taxes*

Jesse Lewis Choose Love Movement, Inc. is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The organization recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. The Jesse Lewis Choose Love Movement, Inc. is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

7. *Cost Allocations*

Jesse Lewis Choose Love Movement, Inc. allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Expenses that are common to several functions have been allocated based on management's estimate of the actual activities of the organization.

8. *Subsequent Events*

Management has reviewed the events and transactions from January 1, 2018 through September 17, 2019, the date these statements were available to be issued, and has determined that there were no material events that would require disclosure in these financial statements.

NOTE 3 - EQUIPMENT AND ACCUMULATED DEPRECIATION

Equipment consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Office Equipment	\$ 5,718	\$ 5,718
Accumulated Depreciation	<u>(2,386)</u>	<u>(1,242)</u>
	<u>\$ 3,332</u>	<u>\$ 4,476</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Notes to Financial Statements

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which Courage has determined to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the organization.

The organization considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the organization’s perceived risk of that instrument.

The organization’s policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Jesse Lewis Choose Love Movement, Inc.

Notes to Financial Statements

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Assets Measured at Fair-value on a Recurring Basis - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of December 31:

2018

<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit and equivalents	\$ 75,087	\$ -	\$ -	\$ 75,087
Common stocks	13,956	-	-	13,956
Total Fair Value Measurements	<u>\$ 86,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,043</u>

2017

<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit and equivalents	\$ 66,478	\$ -	\$ -	\$ 66,478
Common stocks	5,749	-	-	5,749
Total Fair Value Measurements	<u>\$ 72,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,227</u>

There have been no changes in the methodologies used at December 31, 2018 and 2017.

NOTE 5 - INVESTMENT RETURN

Investment return consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 212	\$ 60
Net unrealized (losses) gains	(3,639)	746
Investment return, net	<u>\$ (3,427)</u>	<u>\$ 806</u>

Jesse Lewis Choose Love Movement, Inc.

Notes to Financial Statements

NOTE 6 - IN-KIND CONTRIBUTION OF SPACE

Jesse Lewis Choose Love Movement, Inc. has entered in a space utilization agreement with Newtown Parent Connection, Inc. to utilize office space in the facility that they have leased from the Town of Newtown. The space is available on a year-to-year arrangement to help the organization achieve its goals. Newtown Parent Connection, Inc. has determined that the value of the space is \$5,400 per year. A contribution and expense have been recorded for the years ended December 31, 2018 and 2017 to recognize the in-kind benefit that the organization has received from the Newtown Parent Connection, Inc. A formal agreement was signed between the parties in January 2017. The agreement was extended to cover 2018.

NOTE 7 - CONTRIBUTED SERVICES AND MATERIALS

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. During the year ended December 31, 2018 and 2017, the value of contributed services recognized as revenues in the accompanying Statement of Activities was \$-0- and \$15,000, respectively.

Numerous volunteers have donated their time in 2018 and 2017 to the organization's fundraising, operations and program services. No amounts have been reflected in the financial statements.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Jesse Lewis Choose Love Movement, Inc.'s financial assets at December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one-year of the balance sheet date.

Financial assets at year-end	\$ 590,473
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions for Hawaii conference expenses	(2,414)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 588,059</u>