PREEMPTIVE LOVE COALITION

THE PREEMPTIVE LOVE COALITION

Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

CAPINCROUSE LLP

THE PREEMPTIVE LOVE COALITION

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Preemptive Love Coalition
Hewitt, Texas

We have audited the accompanying financial statements of The Preemptive Love Coalition (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from 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 auditors' 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 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.

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Board of Directors
The Preemptive Love Coalition
Hewitt, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Preemptive Love Coalition as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, The Preemptive Love Coalition has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Lawrenceville, Georgia
June 21, 2019

THE PREEMPTIVE LOVE COALITION

Statements of Financial Position

	December 31, 2018	December 31, 2017
ASSETS:		
Cash and cash equivalents	$ 2,287,374	$ 2,286,752
Accounts receivable–net	-	126,871
Inventory	196,307	70,273
Prepaid expenses and other assets	137,097	228,443
Property and equipment–net	114,385	36,445
Investments	9,162,869	9,294,012
Total Assets	$ 11,898,032	$ 12,042,796
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 131,371	$ 133,868
Notes payable	40,000	-
	171,371	133,868
Net assets:		
Without donor restrictions:		
Undesignated	10,779,384	10,972,483
Board designated	750,000	750,000
Equity in property and equipment	114,385	36,445
	11,643,769	11,758,928
With donor restrictions	82,892	150,000
	11,726,661	11,908,928
Total Liabilities and Net Assets	$ 11,898,032	$ 12,042,796

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 9,450,116	$ -	$ 9,450,116
Merchandise sales	649,844	-	649,844
Investment loss	(131,143)	-	(131,143)
Other revenue	15,660	-	15,660
Total Support and Revenue	9,984,477	-	9,984,477
RECLASSIFICATIONS:			
Net assets released from restrictions	67,108	(67,108)	-
EXPENSES:			
Program services	8,174,238	-	8,174,238
Supporting activities:			
Management and general	1,087,744	-	1,087,744
Fundraising	904,762	-	904,762
	1,992,506	-	1,992,506
Total Expenses	10,166,744	-	10,166,744
Change in Net Assets	(115,159)	(67,108)	(182,267)
Net Assets, Beginning of Year	11,758,928	150,000	11,908,928
Net Assets, End of Year	$ 11,643,769	$ 82,892	$ 11,726,661

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 10,580,127	$ 150,000	$ 10,730,127
Gifts-in-kind	344,899	-	344,899
Merchandise sales	824,369	-	824,369
Investment income	48,840	-	48,840
Other revenue	36,974	-	36,974
Total Support and Revenue	11,835,209	150,000	11,985,209
RECLASSIFICATIONS:			
Net assets released from restrictions	2,052,562	(2,052,562)	-
EXPENSES:			
Program services	7,922,347	-	7,922,347
Supporting activities:			
Management and general	863,038	-	863,038
Fundraising	702,565	-	702,565
	1,565,603	-	1,565,603
Total Expenses	9,487,950	-	9,487,950
Change in Net Assets	4,399,821	(1,902,562)	2,497,259
Net Assets, Beginning of Year	7,359,107	2,052,562	9,411,669
Net Assets, End of Year	$ 11,758,928	$ 150,000	$ 11,908,928

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Statements of Cash Flows

	Year Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (182,267)	$ 2,497,259
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	27,454	11,063
Unrealized (gain) loss on investments	267,708	(31,408)
Interest and dividends reinvested	(136,565)	(17,432)
Change in operating assets and liabilities:		
Accounts receivable	126,871	13,560
Inventory	(126,034)	-
Prepaid expenses and other assets	91,346	(102,706)
Accounts payable	(2,497)	(37,410)
Net Cash Provided by Operating Activities	66,016	2,332,926
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	-	(6,045,120)
Purchases of property and equipment	(105,394)	(11,800)
Net Cash Used by Investing Activities	(105,394)	(6,056,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of note payable	40,000	-
Net Change in Cash and Cash Equivalents	622	(3,723,994)
Cash and Cash Equivalents, Beginning of Year	2,286,752	6,010,746
Cash and Cash Equivalents, End of Year	$ 2,287,374	$ 2,286,752
NONCASH INVESTING ACTIVITIES:		
Gifts-in-kind inventory	$ 1,875	$ 291,924
Other gifts-in-kind	$ -	$ 1,750

See notes to financial statements

1. NATURE OF ORGANIZATION:

The Preemptive Love Coalition (the Organization) is a Texas nonprofit corporation established in 2008. As a nonprofit corporation, the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). The Organization is classified as a publicly supported organization, which is not a private foundation as defined by Section 509(a) of the Code.

The Organization is a global community of peacemakers working to end war. The Organization accomplishes this mission through program services described below:

Relief- War-torn families shouldn't have to brave bombs and bullets to reach the help they need. Their only option shouldn't be the confines of a refugee camp, where their road to recovery will be even longer. We meet families on the frontlines of conflict, providing them lifesaving food, water, and medical care. We give them what they need to hold on and hold out.

Job creation- Refugees shouldn't be forced to rely on handouts to survive. They have the skills and knowledge they need to rebuild their lives and provide for their families. They just need someone to stand with them. We create jobs for those victimized by ISIS. We provide small business grants, tools, and coaching so they can start again and so their families can flourish.

The primary sources of support and revenue for the Organization is received from the general public, private foundations, corporations, and partner organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, checking, and savings accounts. The amounts held at the bank may, at times, exceed federally insured deposit levels. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2018 and 2017, the Organization's cash balances exceeded federally insured limits by $2,124,958 and $1,980,186, respectively.

ACCOUNTS RECEIVABLE–NET

Accounts receivable consists of amounts due the Organization for advances made to a certain third party. Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. Accounts receivable become past due when they exceed their contractual due dates. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgement, is adequate to absorb probable losses. The amount is based upon an analysis of overall accounts receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns, financial condition of the payee, other known facts and circumstances, and general economic conditions. This process is based on estimates and ultimate loss may vary from current estimates. The Organization does not assess finance charges against accounts receivable that are past due. As of December 2018 and 2017, an allowance for doubtful accounts receivable in the amount of $278,984 and $152,113, respectively, has been recorded.

INVENTORY

Inventory is stated at the lower of cost (based on the average cost method) or net realizable value. Management determines the allowance for obsolescence by reviewing product sales history and current market performance. Actual losses are recorded as a charge to the allowance as incurred, and additions to the allowance are charged to merchandise expense. Special consideration is given to products that are new or deemed by management to be long-lived. AS of December 31, 2018 and 2017, management does not believe that an allowance for obsolescence is necessary and therefore no such allowance has been recorded.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Other investments are reported at the lower of cost or fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as investment income (loss) without donor restrictions in the accompanying statements of activities, unless a donor or law restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy.

2. <u>SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

PROPERTY AND EQUIPMENT–NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. The Organization capitalizes all property and equipment expenditures greater than $2,500. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from one to five years.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for use in operations or designated by the board for specific use. The Organization's board designated net assets without donor restrictions represent amounts not to be used for daily operations and held for emergency purposes only. Equity in property and equipment represents amounts invested in property and equipment net of accumulated depreciation.

Net assets with donor restrictions are stipulated by donors for specific operating purposes, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Merchandise sales are recognized when goods are shipped to customers. All other non-contribution revenues are recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Organization.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications. Contributions with donor restrictions which have been fully expended for their intended purposes within the reporting period are reported as contributions without donor restrictions.

The Organization reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

Donated goods are recorded at fair value at the date of the gift.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 8). As a result of implementation, certain expenses have been reclassified between functional categories in the accompanying statement of activities for the year ended December 31, 2017.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities to accomplish its mission as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets:	
Cash and cash equivalents	$ 2,287,374
Accounts receivable–net	-
Investments	9,162,869
Financial assets, at year-end	11,450,243
Less those not available for general expenditure within one year:	
Board designated reserves	(750,000)
Financial assets available to meet cash needs for general expenditures within one year	$10,700,243

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Board designated reserves can be released upon resolution of the board and used for general expenditures. The Organization has $82,892 available in net assets with donor restrictions for specific project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

4. INVESTMENTS:

Investments consist of:

	December 31,	
	2018	2017
Held at lower of cost or fair value:		
Cash and cash equivalents	$ 692,358	$ 6,946,971
Held at fair value:		
Fixed income	1,693,140	-
Mutual funds	3,192,518	1,003,084
Exchange-traded funds	3,194,864	-
Stocks	389,989	1,343,957
	8,470,511	2,347,041
	$ 9,162,869	$ 9,294,012

Investment income (loss) consists of:

	Year Ended December 31,	
	2018	2017
Unrealized gain (loss)	$ (267,708)	$ 31,408
Interest and dividends–net of fees	136,565	17,432
	$ (131,143)	$ 48,840

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31, 2018	December 31, 2017
Leasehold improvements	$ 19,787	$ -
Equipment	68,007	-
Vehicles	73,900	56,300
	161,694	56,300
Less accumulated depreciation	(47,309)	(19,855)
	$ 114,385	$ 36,445

6. NET ASSETS WITH DONOR RESTRICTIONS:

The following is a summary of the activity for net assets with donor restrictions for the years ended December 31, 2018 and 2017:

	1/1/2018 Balance	Contributions	Reclassifications	12/31/2018 Balance
Empowerment Grant	$ 150,000	$ -	$ (67,108)	$ 82,892

	1/1/2017 Balance	Contributions	Reclassifications	12/31/2017 Balance
Aleppo Fund	$ 2,052,562	$ -	$ (2,052,562)	$ -
Empowerment Grant	-	150,000	-	150,000
	$ 2,052,562	$ 150,000	$ (2,052,562)	$ 150,000

7. FAIR VALUE MEASUREMENTS:

The Fair Value Measurements and Disclosure topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

7. FAIR VALUE MEASUREMENTS, continued:

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 inputs are not available.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	Fair Value Measurements at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Fixed income-bonds	$ -	$ 1,693,140	$ -	$ 1,693,140
Mutual funds	3,192,518	-	-	3,192,518
Exchange-traded funds:				
Small cap	137,254	-	-	137,254
Mid cap	337,779	-	-	337,779
Large cap	1,025,251	-	-	1,025,251
Intermediate government	253,362	-	-	253,362
Short-term bond	511,208	-	-	511,208
Long-term bond	367,722	-	-	367,722
Corporate bond	562,288	-	-	562,288
	3,194,864	-	-	3,194,864
Stocks:				
Consumer goods & services	111,716	-	-	111,716
Utilities	148,819	-	-	148,819
Real estate	129,454	-	-	129,454
	389,989	-	-	389,989
Total investments, at fair value	$ 6,777,371	$ 1,693,140	$ -	$ 8,470,511

7. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at December 31, 20187			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual funds	$ 1,003,084	$ -	$ -	$ 1,003,084
Exchange traded funds:				
Small cap	41,477	-	-	41,477
Mid cap	116,345	-	-	116,345
Large cap	508,121	-	-	508,121
Intermediate government	132,788	-	-	132,788
Short-term bond	91,036	-	-	91,036
Long-term bond	95,367	-	-	95,367
Corporate bond	358,823			358,823
	1,343,957	-	-	1,343,957
Total investments, at fair value	$ 2,347,041	$ -	$ -	$ 2,347,041

Methods and assumptions used by the Organization in estimating fair values are as follows:

Valuation techniques: Fair values for mutual funds, stocks, certain corporate debt securities, municipal bonds, U.S. government obligations, and exchanged traded funds are based on quoted market prices or dealer quotes.

Changes in valuation techniques: None.

8. EXPENSES BY BOTH NATURE AND FUNCTION:

The statements of activities report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related benefits are allocated based on employee time and effort. All other categories were allocated based on programmatic purpose and time spent by the employees directly affected by the expense.

Functional expenses by natural classification as of December 31, 2018:

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries and related benefits	$ 1,134,721	$ 591,395	$ 590,946	$ 1,182,341	$ 2,317,062
Grants to partners	5,889,149	-	-	-	5,889,149
Professional fees & services	86,597	270,623	62,725	333,348	419,945
Office, supplies, and other	768,268	192,892	251,091	443,983	1,212,251
Cost of goods sold	295,503	32,834	-	32,834	328,337
	$ 8,174,238	$ 1,087,744	$ 904,762	$ 1,992,506	$10,166,744

Functional expenses by natural classification as of December 31, 2017:

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries and related benefits	$ 783,163	$ 408,169	$ 407,860	$ 816,029	$ 1,599,192
Grants to partners	6,268,704	-	-	-	6,268,704
Professional fees & services	68,375	298,260	44,782	343,042	411,417
Office, supplies, and other	416,352	113,748	249,923	363,671	780,023
Cost of goods sold	385,753	42,861	-	42,861	428,614
	$ 7,922,347	$ 863,038	$ 702,565	$ 1,565,603	$ 9,487,950

9. RELATED PARTY TRANSACTIONS:

During the fiscal year ended December 31, 2016, a member of management joined the board of directors of a not-for-profit that incubates and launches woman-led businesses. This not-for-profit provides merchandise sold in the Organization's online store. Merchandise is purchased at cost and branded for the Organization. During the fiscal years ended December 31, 2018 and 2017, the Organization purchased merchandise from the related party at the cost of $31,177 and $49,676, respectively.

As of December 31, 2018, the Organization maintained a non-interest bearing note due to a member of management in the amount of $40,000. The note was considered due on demand.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 21, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.