
PROPELLER: A FORCE FOR SOCIAL INNOVATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015



A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Propeller: A Force for Social Innovation

Report on the Financial Statements

We have audited the accompanying financial statements of Propeller: A Force for Social Innovation (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 internal control relevant to the Organization'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 Organization'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 Propeller: A Force for Social Innovation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise of the Organization's basic financial statements. The accompanying financial information as listed in the Table of Contents as the Schedule of Compensation, Benefits, and Other Payments to the Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance.

Posnermanite & Wetherill

Metairie, Louisiana
February 24, 2016

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 41,552	\$ 122,739
Cash - restricted	790,461	252,099
Grants receivable	153,103	72,990
Prepaid expenses	<u>17,011</u>	<u>14,194</u>
Total current assets	<u>\$ 1,002,127</u>	<u>\$ 462,022</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 25,897	\$ 28,447
Accrued expenses	-	150
Grants and allocations payable	-	2,800
Payroll and related liabilities	<u>3,975</u>	<u>4,232</u>
Total current liabilities	<u>29,872</u>	<u>35,629</u>
Unrestricted net assets	181,794	174,294
Temporarily restricted net assets	<u>790,461</u>	<u>252,099</u>
Total net assets	<u>972,255</u>	<u>426,393</u>
Total liabilities and net assets	<u>\$ 1,002,127</u>	<u>\$ 462,022</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
		Total		Total
<u>REVENUES AND SUPPORT</u>				
Grants	\$ 10,619	\$ 1,286,079	\$ 3,660	\$ 355,986
Contributions	27,039	27,039	14,304	20,304
Special event (net of direct costs of \$10,378)	37,865	41,764	35,326	47,826
Other	66	66	2,178	2,178
Net assets released from restriction	740,997	-	515,880	(515,880)
	<u>816,586</u>	<u>1,354,948</u>	<u>571,348</u>	<u>426,294</u>
Total revenues and other support				
<u>EXPENSES</u>				
Dues and subscriptions	857	857	465	465
General and administrative	33,215	33,215	24,574	24,574
Insurance	4,419	4,419	6,579	6,579
Legal and professional fees	18,467	18,467	13,303	13,303
Meals and entertainment	2,671	2,671	2,581	2,581
Program services	281,406	281,406	214,869	214,869
Rent	12,000	12,000	11,750	11,750
Salary	456,051	456,051	264,378	264,378
Total expenses	<u>809,086</u>	<u>809,086</u>	<u>538,499</u>	<u>538,499</u>
Change in net assets	7,500	545,862	32,849	(112,205)
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	<u>174,294</u>	<u>426,393</u>	<u>141,445</u>	<u>397,153</u>
<u>NET ASSETS AT END OF THE YEAR</u>	<u>\$ 181,794</u>	<u>\$ 972,255</u>	<u>\$ 174,294</u>	<u>\$ 284,948</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 545,862	\$ (112,205)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grant receivable	(80,113)	3,142
Prepaid expenses	(2,817)	(5,820)
Accounts payable	(2,550)	26,991
Accrued expenses	(3,207)	(12,784)
Net cash (used in) provided by operating activities	<u>457,175</u>	<u>(100,676)</u>
Net (decrease) increase in cash	457,175	(100,676)
Cash, beginning of year	<u>374,838</u>	<u>475,514</u>
Cash, end of year	<u>\$ 832,013</u>	<u>\$ 374,838</u>
Cash is comprised of:		
Cash, unrestricted	\$ 41,552	\$ 122,739
Cash, restricted	790,461	252,099
	<u>\$ 832,013</u>	<u>\$ 374,838</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Propeller: A Force for Social Innovation (formerly Social Entrepreneurs of New Orleans, Inc.) (the Organization) is a 501 (c) (3) non-profit corporation incorporated on August 26, 2008 under the laws of the State of Louisiana. The Organization's mission is to drive social, environmental, and economic impact in New Orleans by incubating early-stage ventures that have the potential to solve the city's most pressing issues. At the heart of the Organization's mission and impact lies the Social Venture Accelerator, a ten month fellowship that connects change-makers with the resources needed to make change happen faster.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

Classification of Net Assets

Accounting principles generally accepted in the United States require that net assets and changes in net assets be reported for three classifications—permanently restricted, temporarily restricted and unrestricted—based on the existence or absence of donor imposed restrictions of the assets to a particular purpose. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The Organization has no permanently restricted net assets.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2015 and 2014.

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC).

Restricted cash at December 31, 2015 and 2014 was \$790,461 and \$252,099, respectively. The funds were restricted for the designations listed in Note 4.

Contributed Services

Members of the Organization's board of directors and other volunteers have made significant contributions of their time to assist in the Organization's operations and related charitable programs. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2015. The Organization's 2015 tax return has not been filed.

2. Grants

Propeller received funding from the following sources for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Corporate	\$ 181,100	\$ -
Foundations	1,054,360	343,360
Federal	50,000	-
State of Louisiana	<u>619</u>	<u>12,626</u>
Total grants	<u>\$ 1,286,079</u>	<u>\$ 355,986</u>

3. Economic Dependency

The primary sources of revenues for Propeller are grants and contributions provided through various funding agencies. The continued operations of the Organization are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

4. Restricted Assets

The Organization has the following temporarily restricted net assets as of December 31:

	<u>2015</u>	<u>2014</u>
Public Health and Community Development Social Accelerator	\$ 107,055	\$ 157,859
The Water Challenge program	141,827	86,140
Community Solutions Competition	-	5,000
Water Cluster Initiative program	98,694	-
Purchase of office equipment	-	3,100
Programmatic support	5,000	-
Operating expenses	41,790	-
Makerspace Digital Literacy program	100,017	-
Education Impact Accelerator program and/or operating expenses	60,827	-
Education-related programs and services	175,281	-
Propeller Impact Accelerator	34,970	-
PitchNOLA: Living Well Healthy Living Convenings	25,000	-
Total	<u>\$ 790,461</u>	<u>\$ 252,099</u>

5. Special Events

During the year ended December 31, 2015, the Organization held its annual gala on May 20, 2015 in celebration of its 2014-2015 Propeller Accelerator Fellows. The funds raised from the gala support the Social Venture Accelerator, the Alumni Program, and related operational expenses.

6. Related Party Lease

The Organization leases its operating facilities from HUB NOLA, LLC, an affiliate, under a membership agreement which automatically extended on a month-to-month basis subsequent to December 31, 2014. Total lease expense for the year ended December 31, 2015 and 2014 was \$12,000 and \$12,750, respectively.

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NOTES TO FINANCIAL STATEMENTS

7. Line of Credit

On February 23, 2011, the Organization established a line of credit with a financial institution for a maximum borrowing of \$25,000. The line of credit was terminated on April 24, 2014. On October 21, 2014, the Organization established a new line of credit with a maximum borrowing amount of \$100,000. The new line of credit which is maturing on October 21, 2016 has an interest rate based on *Wall Street Journal* prime rate which was 7.5% at December 31, 2015. At December 31, 2014, the balance on the line of credit was \$0. The line of credit was not used during 2014. At December 31, 2015, the balance on the line of credit was \$0. The line of credit was not used during 2015.

8. Subsequent Events

Management of the Organization has evaluated subsequent events through the date the financial statements were available to be issued, February 24, 2016, and determined that no other events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

PROPELLER: A FORCE FOR SOCIAL INNOVATION

Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer

Year Ended December 31, 2015

Agency Head: Andrea Chen

Purpose	Amount
Salary	\$ 88,000
Benefits-insurance	2,580
Benefits-retirement	-
Benefits-phone	900
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	1,539
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Propeller: A Force for Social Innovation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Propeller: A Force for Social Innovation (the Organization), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and changes in net assets, cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Metairie, Louisiana
February 24, 2016