PROPELLER: A FORCE FOR SOCIAL INNOVATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
www.pncpa.com

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A Professional Accounting Corporation

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, 2017 and 2016, 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. 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 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.

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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, 2017 and 2016, 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.

Postlethwaite & Netterville

Metairie, Louisiana
April 11, 2018

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
ASSETS		
Cash	$ 258,823	$ 230,155
Cash - restricted	1,034,166	883,062
Grants receivable	191,949	145,000
Other receivables, net	44,981	12,130
Prepaid expenses	19,902	5,553
Equipment	18,147	-
Total assets	$ 1,567,968	$ 1,275,900

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 34,947	$ 22,752
Payroll and related liabilities	23,255	16,070
Total liabilities	58,202	38,822
NET ASSETS		
Unrestricted net assets	475,600	354,016
Temporarily restricted net assets	1,034,166	883,062
Total net assets	1,509,766	1,237,078
Total liabilities and net assets	$ 1,567,968	$ 1,275,900

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Grants	$ -	$ 1,800,135	$ 1,800,135	$ 85,000	$ 1,387,756	$ 1,472,756
Contributions	154,104	-	154,104	44,914	-	44,914
Special event (net of direct costs of $11,866 and $14,049, respectively)	37,845	-	37,845	58,019	-	58,019
Net assets released from restriction	1,649,031	(1,649,031)	-	1,295,155	(1,295,155)	-
Total revenues and other support	1,840,980	151,104	1,992,084	1,483,088	92,601	1,575,689
EXPENSES						
General and administrative	62,825	-	62,825	54,628	-	54,628
Insurance	11,673	-	11,673	10,719	-	10,719
Legal and professional fees	23,026	-	23,026	28,011	-	28,011
Meals and entertainment	13,288	-	13,288	24,430	-	24,430
Program services	586,917	-	586,917	430,565	-	430,565
Rent	32,279	-	32,279	16,220	-	16,220
Salaries and benefits	989,388	-	989,388	746,293	-	746,293
Total expenses	1,719,396	-	1,719,396	1,310,866	-	1,310,866
Change in net assets	121,584	151,104	272,688	172,222	92,601	264,823
NET ASSETS AT BEGINNING OF THE YEAR	354,016	883,062	1,237,078	181,794	790,461	972,255
NET ASSETS AT END OF THE YEAR	$ 475,600	$ 1,034,166	$ 1,509,766	$ 354,016	$ 883,062	$ 1,237,078

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	$ 272,688	$ 264,823
Changes in operating assets and liabilities:		
Grants receivable	(46,949)	8,103
Other receivables	(32,851)	(12,130)
Prepaid expenses	(14,349)	11,458
Accounts payable	12,195	(3,145)
Accrued expenses	7,185	12,095
Net cash provided by operating activities	197,919	281,204
INVESTING ACTIVITIES		
Purchases of equipment	(18,147)	-
Net cash used in investing activities	(18,147)	-
Net increase in cash	179,772	281,204
Cash, beginning of year	1,113,217	832,013
Cash, end of year	$ 1,292,989	$ 1,113,217
Cash is comprised of:		
Cash, unrestricted	$ 258,823	$ 230,155
Cash, restricted	1,034,166	883,062
	$ 1,292,989	$ 1,113,217

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. It is dedicated to supporting social innovation in New Orleans. The Organization's mission is to grow and support entrepreneurs to tackle social and environmental disparities. Propeller envisions a powerful community of diverse entrepreneurs and stakeholders working together for a more equitable future where everyone can lead healthy, fulfilling lives free of racism, poverty, and other systems of oppression. At the heart of Propeller's mission lie its Impact Accelerator programs, designed to support social entrepreneurs throughout the business life cycle—from idea, to beta, to growth.

In 2017, the Organization established the Social Venture Fund, a partnership between the Organization and the Foundation for Louisiana (FFL) which acts as the fund manager and lender. The Social Venture Funds is a $1 million loan fund that provides below market-rate loans between $20,000 and $100,000 to business and non-profits tackling disparities in the areas of food, water, health, education, and economic justice. No loans have been made as of December 31, 2017.

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.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognized when earned. Revenues from federal grants are recorded when Propeller has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by Propeller, or when otherwise earned under the terms of the grants. Contributions and non-federal grants are recognized when cash or other assets, an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2017, conditional promises to give totaled $1,680,451 and are contingent upon receipt and approval by the grantor of reports, which demonstrate satisfactory progress of the stated objectives of the grant.

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 statements 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, 2017 and 2016.

The Organization has concentrated its credit risk for cash by maintaining deposits in two 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 represents funds restricted for the designations listed in Note 4.

Receivables

Propeller provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after Propeller has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2017 and 2016, the Organization has provided for an allowance for doubtful accounts in the amount of $6,416 and $0, respectively.

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 does not meet the requirements to be recorded in accordance with accounting principles generally accepted in the United States.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

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

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, 2017.

Accounting Changes

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU will be effective for the year ending December 31, 2018. The Organization is currently assessing the impact of this pronouncement on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019.

2. Grants

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

	2017	2016
Corporate	$ 140,000	$ 130,000
Foundations	1,282,415	1,145,475
Federal	277,720	197,281
Municipal	100,000	-
Total grants	$ 1,800,135	$ 1,472,756

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.

4. **Restricted Assets**

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

	2017	2016
Public Health and Community Development Social Accelerator	$ 62,437	$ 144,565
The Water Challenge program	36,523	120,000
Water Cluster Initiative program	-	101,524
Education Impact Accelerator program and/or operating expenses	180,911	322,103
Education-related programs and services	48,031	49,376
Propeller Impact Accelerator	376,711	110,000
Social Venture Fund	250,000	25,000
PitchNOLA: Living Well Healthy Convenings	4,383	10,494
New Orleans Healthy Cornerstore Initiative	45,962	-
Newman's Own Foundation Fellowship	24,208	-
South Broad Business Initiative (Neighborhood Sector)	5,000	-
Total	$ 1,034,166	$ 883,062

5. **Special Events**

During the year ended December 31, 2017, the Organization held its annual gala on November 16, 2017 in celebration of its 2016-2017 Propeller Accelerator Fellows. The funds raised from the gala support the Social Venture Accelerator, the Alumni Program, and related operational expenses.

6. **Functional Allocation of Expenses**

Expenses have been reported on the statements of activities and changes in net assets by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expenses and fundraising expenses) based on management's estimate of time and expense allocations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

6. Functional Allocation of Expenses (continued)

Total expenses are allocated for the year ended December 31:

	2017	2016
Program services		
Food	$ 470,399	$ 234,580
Water	323,191	323,634
Education	265,884	306,555
Health	186,392	161,090
Neighborhood	102,077	-
Social venture fund	65,210	-
General program	18,074	22,784
	1,431,227	1,048,643
Supportive services		
Management and general	239,535	217,037
Fundraising	60,500	59,235
	300,035	276,272
Total expenses	$ 1,731,262	$ 1,324,915

7. 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, 2015. Total lease expense for the years ended December 31, 2017 and 2016 was $21,659 and $16,220, respectively.

8. Line of Credit

On October 21, 2014, the Organization established a line of credit with a maximum borrowing amount of $100,000. The line of credit which is maturing on October 21, 2018 has an interest rate based on Wall Street Journal prime rate which was 8.25% and 7.50% at December 31, 2017 and 2016, respectively. At December 31, 2016, the balance on the line of credit was $0. The line of credit was not used during 2016. At December 31, 2017, the balance on the line of credit was $0. The line of credit was not used during 2017.

9. Subsequent Events

Management of the Organization has evaluated subsequent events through the date the financial statements were available to be issued, April 11, 2018, 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.