



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

PROPELLER: A FORCE FOR SOCIAL INNOVATION
CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Propeller: A Force for Social Innovation and its subsidiary (collectively referred to as "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis. This schedule is required by the Louisiana Legislative Auditor and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the consolidated 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 April 28, 2023 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 solely 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 the effectiveness of the Organization’s 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 over financial reporting and compliance.



Luther Speight & Company CPAs
New Orleans, LA
April 28, 2023

Propeller: A Force For Social Innovation
Consolidated Statement of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and Cash Equivalents	\$ 1,408,726	\$ 1,361,729
Grants and Contributions Receivable	49,365	226,870
Prepaid Expense	11,797	8,626
Other Assets	-	910
Investments	228,470	260,250
Fixed Assets, Net	<u>1,998,625</u>	<u>1,323,509</u>
 Total Assets	 <u>\$ 3,696,983</u>	 <u>\$ 3,181,894</u>
 Liabilities		
Liabilities		
Accounts Payable	\$ 259,511	\$ 26,430
Accrued Expenses	11,333	6,883
Payroll Liabilities	18,984	18,730
PPP Loan Payable	-	231,250
Notes Payable	<u>1,263,171</u>	<u>1,296,426</u>
Total Liabilities	<u>1,552,999</u>	<u>1,579,719</u>
 Net Assets		
Without Donor Restrictions	1,025,605	510,596
With Donor Restrictions	<u>1,118,379</u>	<u>1,091,579</u>
Total Net Assets	<u>2,143,984</u>	<u>1,602,175</u>
 Total Liabilities and Net Assets	 <u>\$ 3,696,983</u>	 <u>\$ 3,181,894</u>

The accompanying notes are an integral part of the consolidated financial statements.

Propeller: A Force For Social Innovation
Consolidated Statement of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	Program Services										Supporting Services			
	Food	Water	Access to Capital	Impact Accelerator	Impact	Policy and Advocacy	Alumni	SYF	Facility	Program Total	Management and General	Fundraising	2022 Total Expenses	2021 Total Expenses
Salaries	12,981	63,836	75,283	195,947	93,716	112,985	51,639	28,412	110,707	745,506	102,391	178,475	1,026,372	1,050,217
Fringe Benefits	741	5,750	3,985	17,944	12,426	9,849	5,089	1,737	9,922	67,443	12,436	13,883	93,762	92,085
Payroll Taxes	933	4,527	5,328	13,924	6,652	8,000	3,668	2,016	7,856	52,904	7,313	12,675	72,892	75,870
Meals & Entertainment	-	1,354	809	4,961	-	-	235	-	-	7,359	688	-	8,047	38,161
Contractual/Professional Fees	36,657	105,825	151,700	77,982	-	-	1,244	4,468	22,213	400,089	52,445	13,015	465,549	321,830
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	34,113	-	34,113	34,016
Fees, Taxes and Assessments	-	-	-	-	-	-	-	-	-	-	13,384	-	13,384	15,279
Insurance	-	-	-	-	-	-	-	-	-	-	16,906	-	16,906	16,018
Interest Expense	-	-	-	-	-	-	-	-	-	-	53,324	-	53,324	53,184
Marketing	-	-	-	1,100	-	-	-	-	-	1,100	4,933	-	6,033	13,853
Other Expenses	-	17,500	-	-	-	-	-	-	476	17,976	34,694	-	52,670	17,001
Rent Expense	-	-	-	-	-	-	-	-	-	-	45,000	-	45,000	10,000
Repairs & Maintenance	-	-	-	-	-	-	-	-	20,316	20,316	1,660	-	21,976	12,450
Subscription & Dues	-	-	-	-	-	-	-	-	-	-	15,812	-	15,812	17,534
Supplies	297	2,222	744	1,128	2,840	150	2,261	-	17,381	27,023	4,007	945	31,975	23,985
Utilities Expenses	-	-	-	-	-	-	-	-	23,936	23,936	-	-	23,936	74,831
Sub-Totals	\$ 51,609	\$ 201,014	\$ 237,849	\$ 312,986	\$ 115,634	\$ 130,984	\$ 64,136	\$ 36,633	\$ 212,807	\$ 1,363,652	\$ 399,106	\$ 218,993	\$ 1,981,751	\$ 1,866,314

The accompanying notes are an integral part of the consolidated financial statements.

Propeller: A Force For Social Innovation
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 248,719	\$ (407,430)
Net Assets Adjustments	293,090	-
Adjustments to reconcile changes in net assets to net cash provided in operating activities:		
Depreciation	34,113	34,016
PPP Loan Forgiveness	(231,250)	-
Net (Appreciation)/Depreciation on Investments	31,780	(10,797)
Decrease in Grants Receivable	177,505	428,130
(Increase)/Decrease in Prepays	(3,171)	5,325
(Increase)/Decrease in Other Assets	910	(910)
Increase/(Decrease) in Accounts Payable	233,081	(11,086)
Increase in Accrued Liabilities	4,450	6,883
Increase/(Decrease) in Payroll Liabilities	254	(8,422)
Net Cash Provided by Operating Activities	<u>789,481</u>	<u>35,709</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(709,229)	(12,500)
Purchases of Investments	-	(249,453)
Net Cash Used In Investing Activities	<u>(709,229)</u>	<u>(261,953)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of Notes Payable, Net	(33,255)	(33,484)
Proceeds from PPP Loan	-	231,250
Net Cash Provided (Used) by Financing Activities	<u>(33,255)</u>	<u>197,766</u>
Net Change in Cash and Cash Equivalents	46,997	(28,478)
Beginning Cash and Cash Equivalents	<u>1,361,729</u>	<u>1,390,207</u>
Ending Cash and Cash Equivalents	<u>\$ 1,408,726</u>	<u>\$ 1,361,729</u>

The accompanying notes are an integral part of the consolidated financial statements.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – BACKGROUND AND NATURE OF OPERATIONS

Propeller: A Force for Social Innovation (formerly Social Entrepreneurs of New Orleans, Inc.) ("Propeller") 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 an inclusive and thriving entrepreneurial ecosystem that responds to community needs and creates the conditions for an equitable future.

The Organization seeks to grow wealth and well-being in New Orleans communities to advance economic justice and close racial disparities. Propeller supports entrepreneurs, with a focus on those who are Black, native New Orleanians, who view their businesses as a catalyst for positive change in their community and those who advance anti-racism initiatives.

Propeller has a wholly owned for profit subsidiary, HUB NOLA LLC ("HUB NOLA"). HUB NOLA supports Propeller's public benefit goals and is responsible for operating and leasing company working space at the social innovation facility located at 4035 Washington Avenue, New Orleans, Louisiana. Propeller and HUB NOLA are collectively referred to as the "Organization".

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

Propeller's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred in accordance with generally accepted accounting principles.

Basis for Consolidation

All inter-company balances have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

Cash includes amounts on deposit at financial institutions. For the purposes of the statement of cash flows, Propeller considers all highly liquid debt instruments purchased with a maturity of three months or less redeemable without penalty for the early withdrawal, to be cash equivalents. The Organization held no cash equivalents at December 31, 2022 and 2021.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contribution Receivables

Receivables, consisting of grants, contributions, and other receivables, are stated at the amount management expects to collect from outstanding balances. The Organization determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. At December 31, 2022 and 2021, the Organization did not deem any receivables to be uncollectible.

Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is with restrictions by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restriction unless the use is restricted by the donor. FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

Investments other than mutual funds are valued at the fair value of the trust investments as reported to the Organization by the trustees and include the use of Net Asset Values (NAV) as the primary input to measure fair value.

Fixed Assets

Property and equipment are stated at cost, net of accumulated depreciation. The Organization capitalizes property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives of 5 years for computers, copiers, and furniture, 10 years for equipment, and 27.5 years for the building.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2022 and 2021.

Income Taxes

Propeller is a not-for-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of I.R.S. 47: 121(5). HUB NOLA is a wholly-owned disregarded entity of Propeller for income tax purposes. As such, there is no separate tax return required.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Financial Statement Presentation

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the Organization classifies resources for accounting and reporting purposes into two net asset categories which are without donor restrictions and with donor restrictions. A description of these two net asset categories is as follows:

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

- Net assets with donor restrictions are subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The majority of expenses have been specifically identified with a program or supporting service.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.

- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised if the condition is not met.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as revenue with or without donor restrictions, depending on the existence and nature of any donor restrictions.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Rental income is recognized as the rent becomes due, which is when the relevant performance obligations are fulfilled. Rental payments received in advance are deferred until earned. The Organization has applied the revenue recognition standard, ASU Topic 606, to rental income. All leases between the Organization and the tenants of the property are operating leases.

Donated 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 consolidated financial statements because it does not meet the requirements to be recorded in accordance with U.S. Generally Accepted Accounting Principles.

Recent Accounting Pronouncements

On September 17, 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Organization's fiscal year ending December 31, 2022. During the year ended December 31, 2022, the Organization did not receive any contributions of non-financial assets.

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. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, to simplify the lease standard's implementation. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. This standard will be effective for the Organization's fiscal year ending December 31, 2022. However, the Organization's leases were less than 12 months so no additional disclosures are necessary.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 – Investments

The Organization maintains a permanent endowment fund at the Greater New Orleans Foundation (GNOF). The endowment fund generates annual investment income for the Organization to initiate, finance, and sustain its programs. The balance of the fund as of December 31, 2022 was \$228,470. The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of December 31, 2022 and 2021:

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF Investment Pool	\$ -	\$ 228,470	\$ -	\$ 228,470
Total Investments	<u>\$ -</u>	<u>\$ 228,470</u>	<u>\$ -</u>	<u>\$ 228,470</u>

December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF Investment Pool	\$ -	\$ 260,250	\$ -	\$ 260,250
Total Investments	<u>\$ -</u>	<u>\$ 260,250</u>	<u>\$ -</u>	<u>\$ 260,250</u>

NOTE 4 – Fixed Assets

Fixed Assets are summarized as follows at December 31, 2022:

<u>Asset Description</u>	<u>2022</u>	<u>2021</u>
Land	\$ 485,000	\$ 485,000
Furniture and Fixtures	33,136	23,147
Buildings and Improvements	1,601,160	901,921
	<u>2,119,296</u>	<u>1,410,068</u>
Accumulated Depreciation	(120,671)	(86,559)
Property and Equipment, net	<u>\$ 1,998,625</u>	<u>\$ 1,323,509</u>

The Organization recorded \$34,113 and 34,016 in depreciation expense for the years ended December 31, 2022 and 2021, respectively.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – Concentrations of Credit Risk

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"). The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

NOTE 6 – Liquidity and Availability of Resources

The following presents the Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 1,408,726	\$ 1,361,729
Grants and contributions receivables	49,365	226,870
Total financial assets at year-end	<u>1,458,091</u>	<u>1,588,599</u>
Less amounts not available to be used within one year for general expenditures:		
Net assets with donor restrictions	1,118,379	1,091,579
Less: net assets with donor restrictions to be met in less than one year	<u>(1,118,379)</u>	<u>(321,021)</u>
	<u>-</u>	<u>770,558</u>
Financial assets available for general expenditures within one year	<u>\$ 1,458,091</u>	<u>\$ 818,041</u>

The Organization's goal is to maintain a target cash reserve of two months of operating expenses, which is approximately \$250,000 to \$500,000. The Organization also maintains a \$100,000 line of credit available to meet cash flow needs.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 – Line of Credit

In 2014, the Organization established a line of credit with a maximum borrowing amount of \$100,000. The line of credit was renewed in 2020. The interest rate is based on 4.00 percentage points over the Wall Street Journal prime rate which resulted in an interest rate of 7.25% at December 31, 2022. At December 31, 2022 and 2021, the balance of the line of credit was \$0. The line of credit was not used during fiscal 2022 or 2021.

NOTE 8 – Notes Payable

During 2019, a building acquisition was debt financed by a loan with Liberty Bank for \$1,088,000 and an unsecured note with a related party in the amount of \$136,000. The loan with Liberty Bank is a 25-year maturity/25-year amortization note, with an interest rate of 5.15% fixed for the first five years. The rate will automatically reset at Wall Street Journal Prime index plus 0.75 every five years. Principal payments commenced in July 2019. In November 2020, the Organization refinanced the loan, reducing the interest rate to 4.75% for 42 months starting in December 2020. In June 2024 the rate will reset at Wall Street Journal Prime index plus .75 for the rest of the loan term. The loan is collateralized with deposit accounts, pledges of leases and rents, and real (immovable) property and all of the Organization's personal (movable) property rights with the exception of restricted grant revenues. At December 31, 2022 and 2021, the balance outstanding was \$1,003,868 and \$1,029,197, respectively. The related party note is repayable over 15 years and bears interest at 3%. Principal payments commenced in June 2019. As of December 31, 2022 and 2021, the balance outstanding on the related party note was \$109,404 and \$117,329, respectively.

During the year ended December 31, 2020, the Organization applied for and was approved for a \$150,000 economic injury disaster loan administered by the U.S. Small Business Association as part of the relief efforts related to COVID-19 global pandemic. As part of the loan agreement, the Organization must use all of the proceeds solely as working capital to alleviate economic injury caused by the COVID-19 global pandemic. The loan has an annual interest rate of 2.75% and matures in July 2050. The loan requires monthly principal and interest payments of \$641 beginning in January 2023 and is secured by substantially all assets of the Organization. At December 31, 2022 and 2021, the balance on the loan was \$149,900.

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 – Notes Payable (Continued)

The notes payable at December 31, 2022 mature as follows:

<u>December 31,</u>	<u>Amount</u>
2023	90,646
2024	88,131
2025	86,413
2026	86,674
2027	86,944
Thereafter	<u>824,363</u>
Total	<u>\$ 1,263,171</u>

NOTE 9 – Economic Dependency

The primary sources of revenues for the Organization are grants and contributions provided through various funding agencies. Continued operations are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding. In 2022, the Organization had three major grantors that accounted for approximately 47% of total revenue. In 2021, the Organization had two major grantors that accounted for approximately 42% of total revenue.

NOTE 10 – Net Assets with Donor Restrictions

The Organization has the following net assets with donor restrictions as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Access to Capital - Purpose	\$ 189,922	\$ -
Building Reserve Fund - Purpose	250,000	123,525
Donor Restricted Endowment - Perpetual in Nature	217,750	260,250
Green Infrastructure - Time and Purpose	48,333	200,000
New Orleans Healthy Corner Store Collaborative - Purpose	5,000	25,000
Policy/Advocacy - Time and Purpose	25,000	-
COVID-Related Programs - Time and Purpose	-	100,000
Propeller Impact Accelerator - Time and Purpose	278,617	292,275
The Water Challenge Program - Time and Purpose	<u>103,757</u>	<u>90,529</u>
Total	<u>\$ 1,118,379</u>	<u>\$ 1,091,579</u>

PROPELLER: A FORCE FOR SOCIAL INNOVATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 – Contingencies

From time to time, the Organization is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position.

NOTE 12 – Paycheck Protection Program

During the year ended December 31, 2021, the Organization applied for and was approved for a \$231,250 loan under the Paycheck Protection Program ("PPP") administered by the Small Business Administration as part of the relief efforts related to COVID-19. The Organization has elected to record PPP loans in accordance with FASB ASC Topic 470: *Debt* (ASC 470). PPP loan forgiveness income is recognized when the Organization's applications for forgiveness are approved. The Organization was granted full forgiveness of the loan on March 22, 2022. The loan is recorded as Other Income in fiscal 2022.

NOTE 13 – Related Parties

During the year ended December 31, 2022, the Organization was awarded two grants by W.K. Kellogg Foundation totaling \$600,000, which was recognized as grants and contributions revenue for the year ended December 31, 2022. During the year ended December 31, 2021, the Organization recognized \$510,381 as grants and contributions revenue from the same related party. A member of the Organization's board is employed by the W.K. Kellogg Foundation. During 2022, the Organization was also awarded a \$75,000 grant from the RosaMary Foundation. A member of the Organization's board also sits on the RosaMary Foundation's board.

NOTE 14 – Net Assets Adjustment

During the year ended December 31, 2022, the Organization received insurance proceeds for an insurance claim for damage to their building received as a result of Hurricane Ida. Due to the timing of the checks received, the Organization originally recorded the revenue in fiscal 2022. However, due to the fact that the revenue was earned in 2021, a net assets adjustment was necessary to move the revenue recorded to fiscal 2021. A net assets adjustment totaling \$293,090 was recorded by management to properly state beginning net assets.

NOTE 15 – Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued on April 28, 2023, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
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 consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 28, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about the Organization’s financial statements are free from material misstatement, 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 financial statements. 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*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, 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 financial statements. 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.



Luther Speight & Company CPAs
New Orleans, Louisiana
April 28, 2023

PROPELLER: A FORCE FOR SOCIAL INNOVATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Organization.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditor's 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.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditor's 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*.
4. A management letter was not issued for the year ended December 31, 2022.

SECTION II FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted.

**PROPELLER: A FORCE FOR SOCIAL INNOVATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Finding #</u>	<u>Description</u>	<u>Resolved/Unresolved?</u>
2021-01	Timely Submission of Annual Audit Report	Resolved

**PROPELLER: A FORCE FOR SOCIAL INNOVATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

**Total compensation, benefits,
and other payments**

\$ 0

There were no compensation, benefits or payments to the agency head that were derived from public funds, including state, local and federal pass-through for the years ended December 31, 2022 and 2021.