4:13 STRONG, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

4:13 STRONG, INC.

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Independent Auditor's Report

To the Board of Directors of
4:13 Strong, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of 4:13 Strong, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

(Auditor's report continued on next page)

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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 4:13 Strong, Inc. as of December 31, 2019, and its activities and changes in net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Puryear & Noonan, CPAs

Puryear & Noonan, CPAs
Nashville, Tennessee
May 14, 2020

4:13 STRONG, INC.
Statement of Financial Position
December 31, 2019

Assets

Current Assets	
Cash and cash equivalents	
Unrestricted	$ 266,253
Restricted	1,899
	268,152
Other assets	1,256
Total Current Assets	269,408
Property and Equipment, net	55,984
Total Assets	$ 325,392

Liabilities and Net Assets

Current Liabilities	
Credit cards payable	$ 311
Deposits	50
Other liabilities	79
Total Current Liabilities	440
Net Assets	
Without donor restrictions	323,053
With donor restrictions	1,899
Total Net Assets	324,952
Total Liabilities and Net Assets	$ 325,392

See independent auditor's report and accompanying notes to financial statements.

4:13 STRONG, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenues			
Grants	$ 32,250	$ -	$ 32,250
Contributions	140,673	-	140,673
Special events, net of direct cost of $48,750	210,607	-	210,607
Rental income	54,709	-	54,709
Miscellaneous income	5,220	-	5,220
Intererst income	580	-	580
Net assets released from restriction	7,696	(7,696)	-
Total Support and Revenues	451,735	(7,696)	444,039
Expenses			
Management and general	36,259	-	36,259
Program services	431,612	-	431,612
Fundraising	286	-	286
Total Expenses	468,157	-	468,157
Change in Net Assets	(16,422)	(7,696)	(24,118)
Net Assets - Beginning of Year	339,475	9,595	349,070
Net Assets - End of Year	$ 323,053	$ 1,899	$ 324,952

See independent auditor's report and accompanying notes to financial statements.

4:13 STRONG, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Management and General	Program	Fundraising	Total
Accounting	$ 7,869	$ -	$ -	$ 7,869
Bank fees	2,923	-	-	2,923
Benevolence	-	3,152	-	3,152
Contract services	13,257	6,537	-	19,794
Depreciation	-	29,298	-	29,298
Equipment rental and maintenance	-	712	-	712
Event expenses	-	3,352	244	3,596
Food and beverage	-	9,489	-	9,489
Fieldtrip	-	3,012	-	3,012
Insurance	4,048	11,850	-	15,898
Meeting expense	-	1,932	-	1,932
Office expenses	408	4,649	-	5,057
Payroll processing	1,682	-	-	1,682
Payroll taxes	-	14,571	-	14,571
Rent	-	102,600	-	102,600
Retirement contributions	-	1,512	-	1,512
Salary	-	187,384	-	187,384
Supplies	-	14,680	42	14,722
Software	5,244	-	-	5,244
Staff development	190	6,107	-	6,297
Telephone	-	18,913	-	18,913
Vehicle expenses	-	10,760	-	10,760
Web hosting and support	638	1,102	-	1,740
Total Functional Expenses	$ 36,259	$ 431,612	$ 286	$ 468,157

See independent auditor's report and accompanying notes to financial statements.

4:13 STRONG, INC.
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities	
Change in net assets	$ (24,118)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities	
Depreciation expense	29,298
Changes in assets and liabilities	
(Increase) decrease in other assets	5,186
Increase (decrease) in credit cards payable	(571)
Increase (decrease) in other liabilities	79
Net Cash Provided by (Used for) Operating Activities	9,874
Cash Flows from Investing Activities	
Purchases of property and equipment	(6,301)
Net Cash Provided by (Used for) Investing Activities	(6,301)
Change in Cash and Cash Equivalents	3,573
Cash and Cash Equivalents - Beginning of Year	264,579
Cash and Cash Equivalents - End of Year	$ 268,152

See independent auditor's report and accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose
4:13 Strong, Inc. (the Organization) was incorporated under the laws of the State of Tennessee as a nonprofit organization in 2014. The Organization's mission is to break the cycle of poverty, crime and dependency by providing faith-based educational, vocational and life skills training.

Basis of Accounting
The accompanying financial statements were prepared on the accrual basis of accounting, under which revenues and their related assets are recorded when earned and expenses and their related liabilities are recorded when incurred.

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 reported revenues and expenses. Accordingly, actual results may vary from these estimates.

Financial Statement Presentation
For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions
Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors.

Net Assets With Donor Restrictions
Net assets subject to stipulations imposed by donors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Measure of Operations
The Statement of Activities and Changes in Net Assets reports changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those attributable to the Organization's ongoing activities and interest income. Non-operating activities are limited to resources that generate return from other investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

Cash and Cash Equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. Restricted cash displayed on the balance sheet at December 31, 2019 is for a grant the Organization received that is purpose-restricted in its intended use.

Pledges Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. There were no pledges receivable for the year ended December 31, 2019.

Program and Supporting Services - Functional Expenses

The following program and supporting services are included in the accompanying financial statements on the Statement of Functional Expenses.

Program Services - includes activities carried out to fulfill the Organization's mission of breaking the cycle of poverty, crime and dependency by providing faith-based educational, vocational and life skills training.

Supporting Services - Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Supporting Services - Fundraising – includes cost of activities directed toward appeals for financial support and the cost of solicitations and creation and distribution of fundraising materials.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to the function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management's estimates.

Fair Value Measurements
The Organization follows Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. United States generally accepted accounting principles (U.S. GAAP) establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Revenue Recognition
Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects consideration the Organization expects to be entitled to in exchange for transferring those goods or services.

Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

The Organization's revenue and support comes primarily from contributions from individuals, foundations, and businesses, as well as from private grants. Contributions are recognized when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization licenses cottages to individuals in the program, for $200 per month, and to graduates of the program, for $400 per month. License fees are collected using an online application at which point revenue is recognized.

The Organization has the following three major special events each year: spring dinner, fall breakfast, and golf tournament. Revenue is recognized upon completion of the events. Any revenue received in advance is deferred.

Property and Equipment
Property and equipment are recorded at cost to the Organization or, if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful lives are between five and seven years for property and equipment. The Organization's capitalization policy is to capitalize any expenditure over $500. Expenditures for repairs and maintenance are charged to operations when incurred.

The Organization reviews the carrying value of property and equipment for impairment whenever events and 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. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2019.

Income Taxes
The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code section 501(c)(3), and accordingly, no provision for income taxes is included in the financial statements. Also, the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in operating expenses in the Organization's financial statements.

Note 2 - Adoption of New Accounting Pronouncement

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, (Topic 605), and most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, which requires deferral of incremental costs of obtaining a contract with a customer. Collectively, Topic 606 and Subtopic 340-40 are referred to as the "new standard." The Organization adopted the new standard effective January 1, 2019. There was no effect on change in net assets as a result of this adoption.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. The adoption of this ASU resulted in the treatment of the Organization's grants as unrestricted, unconditional contributions or donor-restricted unconditional contributions rather than exchange transactions. However, there was no effect on change in net assets as a result of this adoption.

Note 3 - Liquidity and Availability

At December 31, 2019, the Organization has $266,253 in cash and equivalents available to meet needs for general expenditures, and restricted cash of $1,899 to be used toward specific program expenses. Accordingly, all funds without restrictions are available to meet the cash needs of the Organization for the next twelve months.

As of the date of this report, the Organization does not have a specific policy for how much cash needs to be in reserve at any given point, nor does it have a policy as to what can be done with any surplus funds. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Organization are expected to be met on a monthly basis from its various sources of support as reported on its Statement of Activities and Changes in Net Assets.

Note 4 - Property and Equipment

A summary of property and equipment at December 31, 2019 is as follows:

	Estimated Useful Lives In Years	
Furniture and fixtures	7	$ 66,307
Computers and equipment	5	23,208
Automobiles	5	78,495
		168,010
Less - Accumulated depreciation		(112,026)
		$ 55,984

Depreciation expense was $29,298 for the year ended December 31, 2019.

Note 5 - Net Assets with Donor Restrictions

Net assets, with donor restrictions, totaling $1,899, are available for the purposes of classroom renovations, construction kit training and computer lab upgrades. Nets assets of $7,696 were released from donor restrictions at December 31, 2019 by incurring expenses satisfying the restrictions specified by donors.

Note 6 - Pension Plan

Effective January 2016, the Organization implemented a Simple IRA plan which covers employees receiving at least $5,000 in eligible compensation during the prior year and is reasonably expected to receive $5,000 in eligible compensation in the current year. The Plan requires a match equal to 100% of the employee elective deferral up to 3% of eligible compensation. Total matching contributions to the plan totaled $1,512 for the year ended December 31, 2019.

Note 7 - Concentration of Credit Risk

The standard Federal Deposit Insurance Corporation insurance amount is $250,000 per depositor, per insured bank; and, therefore, amounts in excess of this $250,000 held by the Organization during 2019 were uninsured and uncollateralized. The Organization has not experienced, nor does it anticipate, any issues with respect to such amounts.

Note 8 - Concentrations

The majority of the Organization's revenue is derived from special events which are held three times a year. The Organization received 36% and 16%, respectively, of its contributions from spring dinner event and fall breakfast event in the year ended December 31, 2019.

Note 9 - Leases

The Organization leases facilities to carry out its programs. The original lease expired in January 2019; however, the lease was subsequently extended until January 2023. Rent expense for the year ended December 31, 2019 totaled $102,600. Future minimum rental payments under this operating lease is as follows:

2020	$ 53,485
2021	49,020
2022	49,020
2023	4,085
	$ 155,610

Note 10 - Income Taxes

The Organization recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Organization's tax positions and has concluded that no tax liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2016 – 2018) or expected to be taken in the Organization's tax return for the year ended December 31, 2019. The Organization identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

During the year ended December 31, 2019, the Organization did not recognize any interest and penalties relating to taxes, nor were any accrued at December 31, 2019.

Note 11 - Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard as amended, will be effective for annual reporting periods beginning after December 15, 2020. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2021. The Organization is currently evaluating the impact that adoption of this ASU will have on the Statement of Financial Position and Statement of Activities and Changes in Net Assets .

Note 12 - Subsequent Events

The Organization has evaluated subsequent events through May 14, 2020, the date which the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations. Future potential impacts may include disruptions or restrictions on the Organization's employees' ability to work and participants' ability to participate in the training program. Special events held for fundraising may be limited. Changes to the operating environment may increase operating costs. The further effects of these issues are unknown.

On March 27, 2020, the Coronavirus Air, Relief, and Economic Security Act (the Cares Act) was signed into law. One of the features of the CARES Act is the Payroll Protection Program (PPP). The Organization has received a PPP loan in the amount of $39,398. This loan will be forgiven if the Organization does the following:

1) Spends the funds on eligible expenses such as payroll, interest on already incurred debt, rent, and utilities during the eight-week period after the funding of the loan, and
2) Spends less than 25% of the funds on non-payroll type eligible expenses.

The amount of the loan that is not forgiven will be converted to a two-year loan at 1%.