

**YOU HAVE THE POWER...
KNOW HOW TO USE IT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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Independent Auditors' Report

To the Board of Directors
You Have the Power...Know How to Use It, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of You Have the Power...Know How to Use It, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017 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.

Blankenship CPA Group
Brentwood, Tennessee
October 7, 2019

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 103,475	\$ 55,570
Short-term investment	20,007	-
Grants receivable	6,312	6,220
Accounts receivable	1,766	5,121
Prepaid expenses	3,950	3,900
Inventory	<u>2,867</u>	<u>750</u>
Total current assets	<u>138,377</u>	<u>71,561</u>
Office equipment	20,354	19,824
Accumulated depreciation	<u>(11,278)</u>	<u>(8,960)</u>
Office equipment, net	<u>9,076</u>	<u>10,864</u>
Investment	<u>-</u>	<u>19,987</u>
Intangible asset	3,868	3,868
Accumulated amortization	<u>(1,459)</u>	<u>(1,141)</u>
Intangible asset, net	<u>2,409</u>	<u>2,727</u>
Total Assets	<u><u>\$ 149,862</u></u>	<u><u>\$ 105,139</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and other liabilities	<u>\$ 419</u>	<u>\$ 982</u>
Net assets		
Without donor restrictions	117,839	69,051
With donor restrictions	<u>31,604</u>	<u>35,106</u>
Total net assets	<u>149,443</u>	<u>104,157</u>
Total Liabilities and Net Assets	<u><u>\$ 149,862</u></u>	<u><u>\$ 105,139</u></u>

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

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Support and Revenues						
Contributions	\$ 124,330	\$ -	\$ 124,330	\$ 129,274	\$ -	\$ 129,274
Grants	66,653	25,474	92,127	57,295	1,297	58,592
Special events	148,856	-	148,856	103,389	-	103,389
Program	5,295	-	5,295	4,537	-	4,537
Interest income	28	-	28	25	-	25
Miscellaneous income	4,266	-	4,266	2,802	-	2,802
Net assets released from restrictions	28,976	(28,976)	-	16,842	(16,842)	-
Total Support and Revenues	<u>378,404</u>	<u>(3,502)</u>	<u>374,902</u>	<u>314,164</u>	<u>(15,545)</u>	<u>298,619</u>
Expenses						
Program services	256,230	-	256,230	229,588	-	229,588
Supporting services						
Management and general	37,973	-	37,973	35,707	-	35,707
Fundraising	35,413	-	35,413	31,324	-	31,324
Total Supporting Services	<u>73,386</u>	<u>-</u>	<u>73,386</u>	<u>67,031</u>	<u>-</u>	<u>67,031</u>
Total Expenses	<u>329,616</u>	<u>-</u>	<u>329,616</u>	<u>296,619</u>	<u>-</u>	<u>296,619</u>
Change in Net Assets	48,788	(3,502)	45,286	17,545	(15,545)	2,000
Net Assets, beginning of year	<u>69,051</u>	<u>35,106</u>	<u>104,157</u>	<u>51,506</u>	<u>50,651</u>	<u>102,157</u>
Net Assets, end of year	<u>\$ 117,839</u>	<u>\$ 31,604</u>	<u>\$ 149,443</u>	<u>\$ 69,051</u>	<u>\$ 35,106</u>	<u>\$ 104,157</u>

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

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Advertising	\$ 1,150	\$ -	\$ -	\$ -	\$ 1,150
Amortization	-	318	-	318	318
Depreciation	1,854	232	232	464	2,318
Event expense	22,717	-	8,518	8,518	31,235
Insurance	-	1,918	-	1,918	1,918
Maintenance	3,339	385	1,163	1,548	4,887
Miscellaneous	3,815	1,243	-	1,243	5,058
Postage	326	328	-	328	654
Printing and publications	3,107	190	-	190	3,297
Professional services	51,517	8,909	2,884	11,793	63,310
Rent	20,497	2,562	2,562	5,124	25,621
Salaries and related expenses	138,895	17,362	17,375	34,737	173,632
Supplies	6,732	3,207	669	3,876	10,608
Taxes, licenses, and fees	101	304	1,793	2,097	2,198
Telephone	1,734	217	217	434	2,168
Travel	354	798	-	798	1,152
Video production	92	-	-	-	92
Total	<u>\$ 256,230</u>	<u>\$ 37,973</u>	<u>\$ 35,413</u>	<u>\$ 73,386</u>	<u>\$ 329,616</u>

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

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Advertising	\$ 94	\$ -	\$ -	\$ -	\$ 94
Amortization	-	318	-	318	318
Depreciation	1,650	206	206	412	2,062
Event expense	13,459	-	2,454	2,454	15,913
Insurance	-	1,736	-	1,736	1,736
Maintenance	3,187	487	1,648	2,135	5,322
Miscellaneous	1,517	790	-	790	2,307
Postage	650	58	3	61	711
Printing and publications	3,429	141	-	141	3,570
Professional services	29,075	7,928	3,628	11,556	40,631
Rent	20,831	2,614	2,604	5,218	26,049
Salaries and related expenses	139,060	17,383	17,396	34,779	173,839
Supplies	6,877	2,587	583	3,170	10,047
Taxes, licenses, and fees	106	380	2,525	2,905	3,011
Telephone	1,537	192	192	384	1,921
Travel	351	887	85	972	1,323
Video production	7,765	-	-	-	7,765
Total	\$ 229,588	\$ 35,707	\$ 31,324	\$ 67,031	\$ 296,619

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

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 45,286	\$ 2,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	318	318
Depreciation	2,318	2,062
(Increase) decrease in operating assets:		
Grants receivable	(92)	21,195
Accounts receivable	3,355	(1,380)
Prepaid expenses	(50)	40
Inventory	(2,117)	(750)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	(563)	(415)
Total adjustments	3,169	21,070
Net cash provided by operating activities	48,455	23,070
Cash flows from investing activities		
Purchase of office equipment	(530)	(1,901)
Interest reinvested in investments	(20)	(20)
Net cash used by investing activities	(550)	(1,921)
Increase in cash	47,905	21,149
Cash, beginning of year	55,570	34,421
Cash, end of year	<u>\$ 103,475</u>	<u>\$ 55,570</u>

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

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

You Have the Power...Know How to Use It, Inc. (the "Organization") was incorporated in 1995 as a Tennessee not-for-profit corporation to operate as a direct-support organization to receive, hold, invest, and administer assets and to make expenditures to and for the benefit of public education. The Organization educates the general public about issues related to violent crimes and victim's rights, and heightens public awareness about the resources available to them in regard to such issues. The Organization is supported primarily through donor contributions and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles, or "US GAAP").

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists principally of checking and savings account balances with financial institutions.

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment

The Organization routinely invests excess cash on hand in a certificate of deposit. A certificate of deposit with an original maturity of greater than 90 days and less than one year is classified in the statements of financial position as a short-term investment. A certificate of deposit with an original maturity of greater than one year is classified in the statements of financial position as an investment.

Cost reimbursement grants

Cost reimbursement grants are earned and reported as revenues of the applicable grant when the Organization has incurred expenses and are treated as exchange transactions. Expenses incurred for grant funds which have not been received at year-end are reported as grants receivable.

Inventory

Inventory consists of items donated for auction at a future special event to be held by the Organization. Items are stated at estimated fair value.

Office Equipment and Depreciation

The Organization capitalizes all costs in excess of \$500 for office equipment. Donated office equipment is recorded at its estimated fair value at the date of the gift. Depreciation is provided over the assets' estimated useful lives of five to ten years using the straight-line method.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals and betterments are capitalized. When equipment is retired or sold, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statements of activities.

Intangible Asset

During 2012, the Organization created a trademark. Legal fees incurred to submit the application and related documents to the United States Trademark Office for this trademark have been capitalized. Direct expenses incurred to establish the trademark in 2012 were capitalized. Amounts paid to renew or extend the trademark's life are capitalized as incurred. Management has determined that the trademark has a finite life of 15 years and will be amortized on a straight line basis over that time period.

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Other Grants

Contributions and other grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and other grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated Goods and Services

Donated goods are recorded as in-kind contributions in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance nonfinancial assets or the donated services requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

The value of donated goods and services included in support and revenues in the statements of activities for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Event expenses	\$ 21,822	\$ 9,488
Professional services	<u>27,344</u>	<u>26,144</u>
	<u>\$ 49,166</u>	<u>\$ 35,632</u>

A number of unpaid volunteers have made contributions of their time to assist the Organization in various ways. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measure or valuation.

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income tax under Internal Revenue Code ("IRC") section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. 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 financial statements.

Video Production

The Organization incurs significant costs to produce videos. These videos are used in forums to educate the general public and are sold at or below cost to organizations that use the videos for educational purposes. Under US GAAP, film costs related to the production of a film are reported as a separate asset on the Organization's statements of financial position. This asset is amortized using the individual-film-forecast-computation method, which amortizes such costs in the same ratio that current period actual revenue bears to estimate remaining unrecognized ultimate revenue as of the beginning of the year. Management has determined that the cost of complying with this requirement exceeds the benefit that would be received, and accordingly expenses production costs as incurred.

Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Depreciation	Square footage
Event expense	Time and effort
Maintenance	Time and effort
Miscellaneous	Time and effort
Postage	Time and effort
Printing and publications	Time and effort
Professional services	Time and effort
Rent	Square footage
Salaries and related expenses	Time and effort
Supplies	Time and effort
Taxes, licenses, and fees	Time and effort
Telephone	Time and effort
Travel	Time and effort

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Organization expenses all advertising costs as they are incurred. The advertising expense for years ending December 31, 2018 and 2017 are \$1,150 and \$94, respectively.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement

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*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash	\$ 103,475	\$ 55,570
Grants receivable	6,312	6,220
Accounts receivable	1,766	5,121
Total financial assets	<u>111,553</u>	<u>66,911</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	31,604	35,106
Net assets with purpose restrictions to be met in less than a year	<u>(31,604)</u>	<u>(35,106)</u>
	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 111,553</u>	<u>\$ 66,911</u>

NOTE 4 - LEASE COMMITMENTS

The Organization leases office space through an operating lease that expires in 2021. Lease expense related to the office space amounted to \$22,800 and \$22,800 for the years ended December 31, 2018 and 2017, respectively and has been included in rent expense.

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 4 - LEASE COMMITMENTS (CONTINUED)

Future minimum payments by year and in the aggregate under non-cancelable leases consist of the following:

Years ending December 31:

2019	\$	23,400
2020		24,000
2021		<u>24,000</u>
	\$	<u>71,400</u>

In addition to the future minimum lease payments, the Organization must also pay a portion of operating costs associated with the property under lease. These amounts may vary.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Restricted contributions	\$ 13,630	\$ 23,651
Restricted grants	<u>17,974</u>	<u>11,455</u>
	<u>\$ 31,604</u>	<u>\$ 35,106</u>

NOTE 6 - CONCENTRATION OF REVENUE SOURCES

During 2018 and 2017, the Organization received approximately 21% and 27%, respectively, of its total support and revenues from a single donor.

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of this guidance.

YOU HAVE THE POWER...KNOW HOW TO USE IT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard clarifies the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of the pending adoption of this guidance.

NOTE 8 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through October 7, 2019, the date the financial statements were available to be issued.