4:13 STRONG, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

4:13 STRONG, INC.

Table of Contents

CPA CONSULTING GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of 4:13 Strong, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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.

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 of 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 entity's preparation and fair presentation of 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 4:13 Strong, Inc. as of December 31, 2018, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CPA Consulting Group, PLLC

Nashville, Tennessee
May 29, 2019

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4:13 STRONG, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 232,742
Restricted cash	9,595
Other current assets	6,442
Total current assets	248,779
EQUIPMENT AND VEHICLES	
Furniture and fixtures	63,307
Computers and equipment	22,208
Vehicles	76,194
Less accumulated depreciation	(82,728)
Total equipment and vehicles, net	78,981
Total assets	$ 327,760

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Credit cards payable	882
Deposits	50
Total current liabilities	932
NET ASSETS	
Without donor restrictions	317,233
With donor restrictions	9,595
Total net assets	326,828
Total liabilities and net assets	$ 327,760

See accompanying notes to financial statements and independent auditors' report.

4:13 STRONG, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 57,000	$ -	$ 57,000
Contributions	114,725	-	114,725
Special events, net of direct costs of $42,638	201,807	-	201,807
Rental income	38,913	-	38,913
Gain or loss on sale of assets	678	-	678
Miscellaneous income	30,569	-	30,569
Interest income	612	-	612
Net assets released from restriction	15,405	(15,405)	-
Total revenue and other support	459,709	(15,405)	444,304
EXPENSES			
Management and general	9,349	-	9,349
Program services	388,094	-	388,094
Fundraising	3,555	-	3,555
Total expenses	400,998	-	400,998
CHANGE IN NET ASSETS	58,711	(15,405)	43,306
NET ASSETS, BEGINNING OF YEAR	258,522	25,000	283,522
NET ASSETS, END OF YEAR	$ 317,233	$ 9,595	$ 326,828

4:13 STRONG, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Management and General	Program	Fundraising	Total Expenses
Accounting	$ 4,569	$ 2,800	$ -	$ 7,369
Bank fees	-	2,972	870	3,842
Benevolence	-	4	-	4
Contract services	239	11,365	750	12,354
Depreciation	-	28,612	-	28,612
Equipment rental and maintenance	-	859	-	859
Event expenses	-	6,357	-	6,357
Food and beverage	-	11,018	-	11,018
Insurance	2,816	7,374	-	10,190
Meeting expense	-	1,929	-	1,929
Office expenses	200	3,288	-	3,488
Payroll processing	-	1,807	-	1,807
Payroll taxes	-	11,217	-	11,217
Rent	-	98,700	-	98,700
Retirement contributions	-	1,350	-	1,350
Salary	-	138,039	-	138,039
Supplies	-	25,036	1,935	26,971
Software	1,525	2,995	-	4,520
Telephone	-	18,285	-	18,285
Vehicle expenses	-	10,411	-	10,411
Web hosting and support	-	3,676	-	3,676
Total	$ 9,349	$ 388,094	$ 3,555	$ 400,998

4:13 STRONG, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 43,306
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:	
Depreciation	28,612
Gain on sale of asset	(678)
Increase (decrease) in operating assets:	
Prepaid expenses	(6,442)
Increase (decrease) in operating liabilities:	
Accounts payable	(3,608)
Credit cards payable	(919)
NET CASH PROVIDED BY OPERATING ACTIVITIES	60,271
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Proceeds from sale of equipment	4,900
Purchase of equipment	(18,353)
NET CASH FLOW USED BY INVESTMENT ACTIVITIES	(13,453)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal line of credit payments	(39)
NET CASH FLOW USED BY INVESTMENT ACTIVITIES	(39)
NET DECREASE IN CASH	46,779
BEGINNING CASH	195,558
ENDING CASH	$ 242,337

See accompanying notes to financial statements and independent auditors' report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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. The Organization's revenue and support comes primarily from donations from individuals, foundations, and businesses, as well as from private grants.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in the corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, along with promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service. When a donor restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to without donor restrictions.

Cash and Cash Equivalents

For purposes of 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, 2018 is for a grant the Organization received that is purpose-restricted in its intended use.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. That 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.

Accounting for Contributions

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.

Equipment and Vehicles

Equipment and vehicles 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. Depreciation expense for the year ended December 31, 2018 was $28,612.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on actual or estimated time employees spend on each function.

Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. In accordance with GAAP, management evaluates the Organization's federal and state income tax regulatory filing positions to identify uncertain tax positions for consideration of whether to record an accrued liability or disclose a potential liability. Management has not identified any material uncertain tax positions that require financial statement recognition as of December 31, 2018. The Organization's federal and state income tax and regulatory filings are subject to examination by the applicable taxing or regulatory authority for the years ending December 31, 2016, 2017 and 2018 generally for a period of three years after a return is filed.

Adoption of Accounting Pronouncement

In August 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*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Subsequent Events

Management has evaluated subsequent events through May 29, 2019, the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at one bank. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each institution. Cash in bank deposit accounts may, at times during the year, exceed federally insured limits. At December 31, 2018, the Organization had no amounts in excess of FDIC insured limits.

NOTE 3 – 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 2020. Rent expense for the year ended December 31, 2018 totaled $98,700. Future minimum rental payments under operating leases are as follows:

2019	$	102,600
2020		8,550
	$	111,150

NOTE 4 – RETIREMENT 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 $1,350 for the year ended December 31, 2018.

NOTE 5 – LIQUIDITY OF ORGANIZATION

At December 31, 2018, the Organization has $232,742 cash and equivalents available to meet needs for general expenditures, and restricted cash of $9,595 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 12 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.