

BRAVEN, INC.

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Braven, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Braven, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and 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.

Auditor's 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 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 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 Braven, Inc. as of June 30, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Braven, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the update have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, slightly slanted style.

Wegner CPAs, LLP
New York, New York
November 26, 2019

BRAVEN, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 4,653,713	\$ 2,126,187
Unconditional promises to give, net	8,163,500	1,416,075
Accounts receivable	101,521	121,214
Prepaid expenses	20,402	-
Security deposits	29,030	10,250
Website development, net	15,000	25,000
Total assets	<u>\$ 12,983,166</u>	<u>\$ 3,698,726</u>
LIABILITIES		
Accounts payable	\$ 100,542	\$ 73,201
Accrued payroll and other expenses	215,867	118,880
Deferred revenue	30,000	-
Total liabilities	346,409	192,081
NET ASSETS		
Without donor restrictions	1,753,487	1,278,585
With donor restrictions	10,883,270	2,228,060
Total net assets	<u>12,636,757</u>	<u>3,506,645</u>
Total liabilities and net assets	<u>\$ 12,983,166</u>	<u>\$ 3,698,726</u>

See accompanying notes.

BRAVEN, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 948,116	\$ 1,214,245
Program service revenue	317,552	209,287
Donated services	69,000	9,000
	<u>1,334,668</u>	<u>1,432,532</u>
Total revenues without donor restrictions	1,334,668	1,432,532
EXPENSES		
Program services	4,002,216	3,100,569
Management and general	799,849	533,860
Fundraising	448,232	256,459
	<u>5,250,297</u>	<u>3,890,888</u>
Total expenses	5,250,297	3,890,888
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	1,712,500	100,000
Satisfaction of purpose restrictions	2,678,028	3,186,076
	<u>4,390,528</u>	<u>3,286,076</u>
Change in net assets without donor restrictions	474,899	827,720
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	13,045,741	3,530,003
Net assets released from restrictions	(4,390,528)	(3,286,076)
	<u>8,655,213</u>	<u>243,927</u>
Change in net assets with donor restrictions	8,655,213	243,927
Change in net assets	9,130,112	1,071,647
Net assets at beginning of year	<u>3,506,645</u>	<u>2,434,998</u>
Net assets at end of year	<u><u>\$ 12,636,757</u></u>	<u><u>\$ 3,506,645</u></u>

See accompanying notes.

BRAVEN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2019 and 2018

	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 2,865,008	\$ 370,553	\$ 418,299	\$ 3,653,860
Professional fees	415,436	348,073	12,007	775,516
Travel	187,013	36,898	5,535	229,446
Occupancy	149,023	11,463	1,650	162,136
Supplies and equipment	132,563	16,357	4,189	153,109
Publications and promotions	196,972	11,453	2,765	211,190
Communications and shipping	25,291	2,901	574	28,766
Insurance	21,409	541	121	22,071
Amortization	7,841	1,014	1,145	10,000
Other expenses	1,660	596	1,947	4,203
Total expenses	\$ 4,002,216	\$ 799,849	\$ 448,232	\$ 5,250,297

	2018			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 1,964,048	\$ 289,371	\$ 230,750	\$ 2,484,169
Professional fees	626,332	194,397	13,612	834,341
Travel	209,303	16,697	6,561	232,561
Occupancy	127,583	6,047	2,588	136,218
Supplies and equipment	72,575	24,369	1,657	98,601
Publications and promotions	55,350	347	319	56,016
Communications and shipping	23,227	1,709	659	25,595
Insurance	16,193	165	70	16,428
Amortization	4,369	442	189	5,000
Other expenses	1,589	316	54	1,959
Total expenses	\$ 3,100,569	\$ 533,860	\$ 256,459	\$ 3,890,888

See accompanying notes.

BRAVEN, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,130,112	\$ 1,071,647
Adjustments to reconcile net assets to net cash flows from operating activities		
Change in discount on long term promises to give	158,700	8,500
Amortization	10,000	5,000
(Increase) decrease in assets		
Unconditional promises to give	(6,906,125)	(1,128,875)
Accounts receivable	19,693	(45,589)
Prepaid expenses	(20,402)	-
Security deposits	(18,780)	(10,250)
Increase (decrease) in liabilities		
Accounts payable	27,341	41,565
Accrued payroll and other expenses	96,987	59,080
Deferred revenue	30,000	-
Net cash flows from operating activities	2,527,526	1,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of website development	-	(25,000)
Net change in cash	2,527,526	(23,922)
Cash at beginning of year	2,126,187	2,150,109
Cash at end of year	<u>\$ 4,653,713</u>	<u>\$ 2,126,187</u>

See accompanying notes.

BRAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Braven, Inc. (Braven) is a nonprofit charitable organization established in 2014 with a mission to empower promising young people on their path to college graduation and strong first jobs, which lead to meaningful careers and lives of impact. From the Accelerator will come a generation of leaders as diverse as our future demands. Braven's primary sources of revenues include contributions from corporations and foundations and program service fees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give due in more than one year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

Accounts Receivable

Braven considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Website Development

Expenditures for website development are capitalized at cost. Amortization is computed using the straight-line method over the estimated useful life of each individual asset.

Contributions

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. 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.

Donated Services

Donated services are recognized as revenue if the services create or enhance nonfinancial assets, require specialized skills, are performed by people with those skills, and would otherwise be purchased by Braven.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

BRAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Braven is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Expense Allocation

The financial statements report certain expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, professional fees, travel, occupancy, insurance, and amortization, which are allocated on the basis of estimates of time and effort. All other expenses are allocated based upon the types of services performed and expenses incurred.

Adoption of New Accounting Pronouncement

Braven adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This 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 changes required by the update have been applied retrospectively to all periods presented. Braven has adjusted the presentation of the financial statements accordingly.

Date of Management's Review

Management has evaluated subsequent events through November 26, 2019, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

Braven maintains its cash balances in one financial institution located in San Francisco, California. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018, Braven's uninsured cash balances totaled approximately \$4,400,000 and \$1,880,000, respectively.

Braven places its cash balances with high credit quality financial institutions. Braven has not experienced any losses and believes it is not exposed to any significant credit risk on cash balances.

During the year ended June 30, 2019, the organization received contributions from two donors totaling \$8,000,000, which accounted for approximately 55% of total contributions. During the year ended June 30, 2018, the organization received contributions from two donors totaling \$2,000,000, which accounted for approximately 40% of total contributions.

BRAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 4,225,000	\$ 1,058,875
Receivable in more than one year	<u>4,110,000</u>	<u>370,000</u>
Unconditional promises to give	8,335,000	1,428,875
Discounts to net present value	<u>(171,500)</u>	<u>(12,800)</u>
Unconditional promises to give, net	<u><u>\$ 8,163,500</u></u>	<u><u>\$ 1,416,075</u></u>

Unconditional promises to give receivable in more than one year at June 30, 2019 and 2018 are discounted at an effective rate of 3% and 4%, respectively.

During the year ended June 30, 2019, Braven received a promise to give of \$100,000 that contained donor conditions. The promise to give will be recognized as revenue when the conditions are substantially met.

NOTE 4 – WEBSITE DEVELOPMENT

Website development consists of the following:

	<u>2019</u>	<u>2018</u>
Website development	\$ 30,000	\$ 30,000
Accumulated amortization	<u>(15,000)</u>	<u>(5,000)</u>
Website development, net	<u><u>\$ 15,000</u></u>	<u><u>\$ 25,000</u></u>

NOTE 5 – DONATED SERVICES

The fair value of donated services received and their corresponding functional allocation for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Legal - management and general	\$ 9,000	\$ 9,000
Accounting and HR - management and general	<u>60,000</u>	<u>-</u>
Total donated services	<u><u>\$ 69,000</u></u>	<u><u>\$ 9,000</u></u>

BRAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Purpose restrictions		
Bay Area	\$ 1,463,800	\$ 340,500
Chicago	420,000	556,700
New Jersey	35,000	30,000
Program personnel	50,000	-
Impact study	10,473	150,860
Innovation and scaling	681,797	-
Capacity building	125,000	391,030
Subsequent periods' activities	8,097,200	758,970
	<u>\$ 10,883,270</u>	<u>\$ 2,228,060</u>
Net assets with donor restrictions	<u>\$ 10,883,270</u>	<u>\$ 2,228,060</u>

NOTE 7 – LEASING ARRANGEMENTS

Braven leases office space pursuant to various shared space agreements with terms ranging from 1 to 12 months. Rent expense, including various office usage charges, was \$162,136 and \$136,218 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following represents Braven's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year because of contractual or donor-imposed restrictions. General expenditures are defined as all budgeted programmatic and operational expenses for 2020.

Cash	\$ 4,653,713
Unconditional promises to give, net	8,163,500
Accounts receivable	<u>101,521</u>
Financial assets at year-end	12,918,734
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time and purpose restrictions	(10,883,270)
Add back amounts available for general expenditures within one year	<u>3,100,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,135,464</u>

Braven's cash flows have seasonal variations during the year attributable to cash receipts for contributions received. Braven has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a not-for-profit, donor-funded organization, Braven regularly receives contributions from donors that are available to meet annual cash needs for general operating expenditures.

BRAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – RETIREMENT PLAN

Braven sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees become eligible for the plan upon hire. Braven makes discretionary contributions to the plan equal to 5% of participants' annual compensation. Plan expenses for the years ended June 30, 2019 and 2018 were \$92,847 and \$58,257, respectively.