

**STRONGMINDS INC. AND
STRONGMINDS UGANDA**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

(With Independent Auditors' Report)

**STRONGMINDS INC. AND
STRONGMINDS UGANDA**

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
StrongMinds Inc. and StrongMinds Uganda

We have audited the accompanying consolidated financial statements of StrongMinds Inc. (nonprofit organization) and StrongMinds Uganda, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of StrongMinds Uganda, a related but separate organization, which statements reflect total assets of \$191,372, as of December 31, 2017, and total support and revenues of \$168,770, for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for StrongMinds Uganda, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of StrongMinds Inc. and StrongMinds Uganda as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



STRONGMINDS INC. AND STRONGMINDS UGANDA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 937,047
Prepaid insurance	6,742
Other current assets	<u>683</u>
TOTAL CURRENT ASSETS	<u>944,472</u>
PROPERTY AND EQUIPMENT	
net of accumulated depreciation of \$73,713	<u>113,015</u>
OTHER ASSETS:	
Security deposit	<u>1,050</u>
TOTAL ASSETS	<u><u>\$ 1,058,537</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Credit card liabilities	\$ 4,009
Accounts payable and accrued expenses	<u>74,149</u>
TOTAL CURRENT LIABILITIES	<u>78,158</u>
NET ASSETS:	
Unrestricted	947,046
Temporarily restricted	<u>33,333</u>
TOTAL NET ASSETS	<u>980,379</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,058,537</u></u>

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

STRONGMINDS INC. AND STRONGMINDS UGANDA
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
DIRECT REVENUE AND SUPPORT :			
Contributions	\$ 113,017	\$ -	\$ 113,017
Grants	1,902,790	100,000	2,002,790
Contributed services	16,050	-	16,050
Interest income	2,191	-	2,191
Other income	5,717	-	5,717
Net assets released from restriction	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
TOTAL DIRECT REVENUE AND SUPPORT	<u>2,139,765</u>	<u>-</u>	<u>2,139,765</u>
FUNCTIONAL EXPENSES:			
Program services	1,249,353	-	1,249,353
General and administrative	378,540	-	378,540
Fundraising	<u>169,063</u>	<u>-</u>	<u>169,063</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,796,956</u>	<u>-</u>	<u>1,796,956</u>
CHANGES IN NET ASSETS FROM OPERATIONS	342,809	-	342,809
OTHER CHANGES:			
Foreign currency translation gains (losses), net	<u>1,985</u>	<u>-</u>	<u>1,985</u>
CHANGES IN NET ASSETS	344,794	-	344,794
NET ASSETS - beginning	<u>602,252</u>	<u>33,333</u>	<u>635,585</u>
NET ASSETS - ending	<u>\$ 947,046</u>	<u>\$ 33,333</u>	<u>\$ 980,379</u>

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

STRONGMINDS INC. AND STRONGMINDS UGANDA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 344,794
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	46,783
Changes in operating assets and liabilities:	
Decrease in:	
Prepaid expenses	3,316
Other current assets	244
Increase (decrease) in:	
Credit card liabilities	(2,453)
Accounts payable and accrued expenses	<u>61,527</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>454,211</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:	
Property and equipment purchases	<u>(35,854)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	418,357
CASH AND EQUIVALENTS- beginning	<u>518,690</u>
CASH AND EQUIVALENTS- ending	<u>\$ 937,047</u>

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

STRONGMINDS INC. AND STRONGMINDS UGANDA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 591,145	\$ 196,810	\$ 123,878	\$ 911,833
Employee benefits	173,708	40,261	1,810	215,779
Consultants	147,814	15,590	1,500	164,904
Transportation	76,626	3,207	2,162	81,995
Travel	47,462	523	13,265	61,250
Professional fees	8,469	51,639	-	60,108
Advertising and promotion	56,292	2,647	-	58,939
Depreciation	39,477	7,306	-	46,783
Payroll taxes	12,853	11,967	11,166	35,986
Office supplies	24,386	5,607	60	30,053
Rent	12,781	6,109	4,590	23,480
IT hardware and software	1,690	13,615	5,633	20,938
Telephone and communications	13,200	4,660	90	17,950
Recruitment	11,901	1,013	-	12,914
Project expenses and costs	8,429	-	-	8,429
Office security	7,641	766	-	8,407
Other	1,484	6,780	-	8,264
Repairs and maintenance	6,497	1,573	-	8,070
Meals and entertainment	3,218	2,055	882	6,155
Meetings and trainings	1,500	425	3,228	5,153
Bank charges	1,945	650	799	3,394
Insurance	-	3,265	-	3,265
Utilities	835	1,083	-	1,918
Payroll processing fees	-	989	-	989
TOTAL	<u>\$ 1,249,353</u>	<u>\$ 378,540</u>	<u>\$ 169,063</u>	<u>\$ 1,796,956</u>

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

**STRONGMINDS INC. AND
STRONGMINDS UGANDA**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

StrongMinds Inc. ("the Organization"), which began operations in 2013, is a non-profit Organization organized under the laws of the State of New Jersey and located in Maplewood, New Jersey. The Organization's mission is to restore the mental health of vulnerable African women by using a simple, cost effective, and scalable community-based group talk therapy to treat depression in the country of Uganda. In 2015, the Organization worked in conjunction with FXB Uganda, a non-government organization in Uganda, under a partnership agreement in which funding was provided to work on programs and activities related to the Organization's mission. In 2016 the Organization entered into a master collaboration agreement with StrongMinds Uganda (SMU), after SMU achieved its separate non-government registration status in Uganda.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and a related entity, StrongMinds Uganda, in which the Organization has an economic interest and control. Intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Organization's net assets, revenues, and expense are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor imposed stipulations that are to be maintained permanently by the Organization. As of December 31, 2017, the Organization did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**STRONGMINDS INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three (3) months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the approximate fair value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets, which range from three (3) to seven (7) years.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. The Organization files informational returns with the U.S. federal government and State of New Jersey.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire when the stipulated time restriction ends or purpose restriction is accomplished in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions and Grants

Contributions and grants consist of unconditional support and are recorded as revenue in the year received. Conditional contributions and grants are not included as support until the conditions are substantially met.

Contributed Services

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets, or (2) require specialized skills provided by individual possessing those skills and are services which would be typically purchased if not provided by donation. The estimated fair values of these items are reported in the statement of activities as revenue and expenses in the year in which they are received.

Advertising Costs

Advertising costs are expensed when incurred.

Functional Expenses

The Organization allocates its operating expenses on a functional basis. Expenses that can be identified with a specific function are charged directly to that function. Other expenses that are common to more than one function are allocated among the services benefited based on estimates made by management.

**STRONGMINDS INC. AND
STRONGMINDS UGANDA**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and Presentation Currency

The accompanying consolidated financial statements are presented in US dollars, which differs from the Uganda Shillings, which is StrongMinds Uganda's functional currency.

For StrongMinds Uganda, whose functional currency is the Uganda Shilling, the statement of financial position accounts are translated at the exchange rates in effect at the end of the year and the statement of activities accounts are translated at the average exchange rates for the year. Translation gains and losses are included as other changes in the statement of activities.

The amount of net foreign exchange gain included in the statement of activities for the year ended December 31, 2017 was \$1,985.

NOTE 3 - SUMMARY OF PROPERTY AND EQUIPMENT

Components of building and equipment assets are as follows:

Computer equipment	\$ 19,051
Health platform	14,560
Vehicles	119,847
Furniture and fixtures	<u>33,270</u>
Total	186,728
Less: Accumulated depreciation	<u>73,713</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$113,015</u>

Depreciation expense for the year ended December 31, 2017 amounted to \$46,783

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

During 2017, the Organization received a total of \$100,000 in grants for the achievement of certain projects and milestones in treating women with depression in Uganda. At December 31, 2017, the remaining temporarily restricted portion of the grant in net assets is \$33,333.

NOTE 5 - CONTRIBUTED SERVICES

Contributed services included in the accompanying statement of activities consisted of donated legal services of \$16,050 contributed from Pro Bono Partnership.

**STRONGMINDS INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 - RETIREMENT PLAN

The Organization permits salary reduction contributions to be made to a Simple Individual retirement account or annuity (SIMPLE IRA plan). The Organization contributes an employer matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contribution up to a limit of three (3%) percent of the employee's compensation. The Organization made employer matching contributions in the amount of \$9,329 for the year ended December 31, 2017.

NOTE 7 - COMMITMENTS

The Organization entered into a twelve (12) month lease agreement to lease office space at 515 Valley Street in Maplewood, New Jersey commencing on November 1, 2015 and expiring on October 31, 2016. Monthly lease payments are \$1,050. The Organization has the option to extend the lease for an additional twelve (12) month term at a monthly rate of \$1,075.

On November 1, 2017 the Organization extended the lease for an additional two (2) year term expiring on October 31, 2019. The extended lease includes the relocation of office space within the building and expanded space. Monthly lease payments are \$1,500.

StrongMinds Uganda entered into a two (2) year lease agreement to lease office space at Plot 9 Martyrs Lane at Minister's Village, Ntinda, Kampala district commencing on November 1, 2015 and expiring on November 1, 2017. Monthly lease payments are \$2,500.

StrongMinds Uganda entered into a one (1) year lease agreement to lease space at Iganga District, Iganga Municipality Norther Division, Mutukula commencing on February 1, 2017. Monthly Lease payments are approximately \$260. StrongMinds Uganda extended the lease for an additional one (1) year term commencing on February 1, 2018.

StrongMinds Uganda entered into a one (1) year lease agreement to lease space in Kyaggwe Block 107, Plot 782 at Mutuba commencing on June 1, 2017 and expiring on May 31, 2018. Monthly lease payments are approximately \$290.

Subsequent to year end StrongMinds Uganda entered into a three (3) year lease agreement to rent office space at Plot 98 in Ntinda, Kampala for a three (3) year term commencing on March 1, 2018. Monthly lease payments for the first year are \$2,500, second year are \$2,575, and third year are \$2,730.

Minimum annual rental payments due in each of the five (5) years subsequent to December 31, 2017 and thereafter are as follows:

Year Ending <u>December 31</u>	
2018	\$ 47,252
2019	46,006
2020	32,450
2021	5,460

Rent expense for the year ended December 31, 2017 amounted to \$23,480.

**STRONGMINDS INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 - CONCENTRATIONS AND CREDIT RISK

Cash Balances

The Organization maintains its cash at a bank which at times may exceed the insured limit of \$250,000 provided by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts. The approximate amount over the FDIC limit as of December 31, 2017 was \$580,000.

Grants

For the year ended December 31, 2017, approximately twenty-two (22%) percent of the Organization's grants were received from two (2) donors.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 28, 2018, which is the date the financial statements were available to be issued.