

COMBINED FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

STRONGMINDS, INC. AND RELATED ENTITIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
StrongMinds, Inc. and Related Entities
Maplewood, New Jersey

We have audited the accompanying combined financial statements of StrongMinds, Inc. and Related Entities (collectively, StrongMinds), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We did not audit the financial statements of StrongMinds Uganda or StrongMinds Zambia, whose statements reflect total assets of \$420,893, as of December 31, 2019, and total support and revenues of \$2,822,591 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 and StrongMinds Zambia, 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

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Opinion

In our opinion, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of StrongMinds as of December 31, 2019 and 2018, and the combined changes in its net assets, combined functional expenses and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Comparative Statements

The financial statements of StrongMinds Uganda for the year ended December 31, 2018 were audited by other auditors, whose report dated June 20, 2019, expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Statement of Financial Position and the Combining Statement of Activities and Change in Net Assets on pages 17 - 18 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



June 22, 2020

STRONGMINDS, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,177,142	\$ 845,803
Grants and contributions receivable		812,624	471,745
Prepaid expenses		27,960	17,808
Other current assets		<u>-</u>	<u>2,225</u>
Total current assets		<u>3,017,726</u>	<u>1,337,581</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF \$147,015 AND \$109,864 FOR 2019 AND 2018, RESPECTIVELY			
		<u>96,542</u>	<u>91,201</u>
OTHER ASSETS			
Deposit		5,382	3,477
Grants and contributions receivable, net of current portion		<u>384,160</u>	<u>-</u>
Total other assets		<u>389,542</u>	<u>3,477</u>
TOTAL ASSETS		<u>\$ 3,503,810</u>	<u>\$ 1,432,259</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>185,594</u>	\$ <u>49,755</u>
NET ASSETS			
Without donor restrictions		1,718,962	842,173
With donor restrictions		<u>1,599,254</u>	<u>540,331</u>
Total net assets		<u>3,318,216</u>	<u>1,382,504</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,503,810</u>	<u>\$ 1,432,259</u>

STRONGMINDS, INC. AND RELATED ENTITIES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,596,990	\$ -	\$ 1,596,990
Corporate and foundation grants	1,855,050	2,056,686	3,911,736
Contributed services and materials	10,582	-	10,582
Interest income	7,527	-	7,527
Other revenue	7,473	-	7,473
Net assets released from donor restrictions	<u>997,763</u>	<u>(997,763)</u>	<u>-</u>
Total revenue	<u>4,475,385</u>	<u>1,058,923</u>	<u>5,534,308</u>
EXPENSES			
Program Services	<u>2,412,872</u>	<u>-</u>	<u>2,412,872</u>
Supporting Services:			
General and Administrative	775,679	-	775,679
Fundraising	<u>397,811</u>	<u>-</u>	<u>397,811</u>
Total supporting services	<u>1,173,490</u>	<u>-</u>	<u>1,173,490</u>
Total expenses	<u>3,586,362</u>	<u>-</u>	<u>3,586,362</u>
Changes in net assets before other item	889,023	1,058,923	1,947,946
OTHER ITEM			
Foreign currency translation loss	<u>(12,234)</u>	<u>-</u>	<u>(12,234)</u>
Changes in net assets	876,789	1,058,923	1,935,712
Net assets at beginning of year	<u>842,173</u>	<u>540,331</u>	<u>1,382,504</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,718,962</u>	<u>\$ 1,599,254</u>	<u>\$ 3,318,216</u>

STRONGMINDS, INC. AND RELATED ENTITIES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 390,352	\$ -	\$ 390,352
Corporate and foundation grants	1,662,715	668,308	2,331,023
Contributed services and materials	43,494	-	43,494
Interest income	5,431	-	5,431
Other revenue	5,486	-	5,486
Net assets released from donor restrictions	<u>161,310</u>	<u>(161,310)</u>	<u>-</u>
Total revenue	<u>2,268,788</u>	<u>506,998</u>	<u>2,775,786</u>
EXPENSES			
Program Services	<u>1,584,985</u>	<u>-</u>	<u>1,584,985</u>
Supporting Services:			
General and Administrative	509,142	-	509,142
Fundraising	<u>243,367</u>	<u>-</u>	<u>243,367</u>
Total supporting services	<u>752,509</u>	<u>-</u>	<u>752,509</u>
Total expenses	<u>2,337,494</u>	<u>-</u>	<u>2,337,494</u>
Changes in net assets before other item	(68,706)	506,998	438,292
OTHER ITEM			
Foreign currency translation loss	<u>(36,167)</u>	<u>-</u>	<u>(36,167)</u>
Changes in net assets	(104,873)	506,998	402,125
Net assets at beginning of year	<u>947,046</u>	<u>33,333</u>	<u>980,379</u>
NET ASSETS AT END OF YEAR	<u>\$ 842,173</u>	<u>\$ 540,331</u>	<u>\$ 1,382,504</u>

STRONGMINDS AND RELATED ENTITIES

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 1,121,687	\$ 334,994	\$ 264,552	\$ 599,546	\$ 1,721,233
Employee benefits	158,113	62,616	30,646	93,262	251,375
Payroll taxes	102,234	39,353	22,965	62,318	164,552
Consultants	455,895	57,336	3,908	61,244	517,139
Transportation	180,717	14,907	4,570	19,477	200,194
Travel	34,810	32,309	41,447	73,756	108,566
Professional fees	2,555	48,979	2,119	51,098	53,653
Advertising and promotion	16,953	2,921	-	2,921	19,874
Depreciation and amortization	15,586	22,104	-	22,104	37,690
Office supplies	67,727	14,222	128	14,350	82,077
Rent	37,267	35,027	11,042	46,069	83,336
IT hardware and software	56,900	21,378	2,651	24,029	80,929
Telephone and communications	32,672	11,655	565	12,220	44,892
Recruitment	56,954	19	-	19	56,973
Printing and postage	16,896	4,693	957	5,650	22,546
Office security	676	12,146	-	12,146	12,822
Other	4,465	8,259	-	8,259	12,724
Repairs and maintenance	3,636	6,729	-	6,729	10,365
Meals and entertainment	17,220	7,196	4,559	11,755	28,975
Meetings and trainings	25,256	20,449	4,537	24,986	50,242
Bank charges	1,515	8,814	3,165	11,979	13,494
Insurance	2,282	4,568	-	4,568	6,850
Utilities	856	2,705	-	2,705	3,561
Payroll processing fees	-	2,300	-	2,300	2,300
TOTAL	\$ 2,412,872	\$ 775,679	\$ 397,811	\$ 1,173,490	\$ 3,586,362

STRONGMINDS AND RELATED ENTITIES

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 724,764	\$ 162,684	\$ 165,345	\$ 328,029	\$ 1,052,793
Employee benefits	136,026	50,708	22,804	73,512	209,538
Payroll taxes	77,361	10,509	14,842	25,351	102,712
Consultants	301,086	63,627	15,147	78,774	379,860
Transportation	109,702	2,681	1,919	4,600	114,302
Travel	23,340	10,588	8,200	18,788	42,128
Professional fees	6,849	100,321	-	100,321	107,170
Advertising and promotion	40,046	716	224	940	40,986
Depreciation and amortization	36,046	2,662	-	2,662	38,708
Office supplies	40,252	8,161	97	8,258	48,510
Rent	12,342	38,135	8,727	46,862	59,204
IT hardware and software	6,399	25,733	1,817	27,550	33,949
Telephone and communications	27,157	2,310	-	2,310	29,467
Office security	6,331	3,582	-	3,582	9,913
Other	4,026	7,046	-	7,046	11,072
Repairs and maintenance	3,124	5,470	-	5,470	8,594
Meals and entertainment	13,321	806	1,125	1,931	15,252
Meetings and trainings	13,216	(58)	1,560	1,502	14,718
Bank charges	11	4,312	1,560	5,872	5,883
Insurance	3,054	5,470	-	5,470	8,524
Utilities	532	2,063	-	2,063	2,595
Payroll processing fees	-	1,616	-	1,616	1,616
TOTAL	\$ 1,584,985	\$ 509,142	\$ 243,367	\$ 752,509	\$ 2,337,494

STRONGMINDS, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,935,712	\$ 402,125
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	37,690	38,708
Loss on disposal	536	1,182
(Increase) decrease in:		
Grants and contributions receivable	(725,039)	(471,745)
Prepaid expenses	(10,152)	(11,066)
Other current assets	2,225	(1,542)
Deposit	(1,905)	(2,427)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>135,839</u>	<u>(28,403)</u>
Net cash provided (used) by operating activities	<u>1,374,906</u>	<u>(73,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(43,567)	(19,426)
Proceeds from sale of property and equipment	<u>-</u>	<u>1,350</u>
Net cash used by investing activities	<u>(43,567)</u>	<u>(18,076)</u>
Net increase (decrease) in cash and cash equivalents	1,331,339	(91,244)
Cash and cash equivalents at beginning of year	<u>845,803</u>	<u>937,047</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,177,142</u>	<u>\$ 845,803</u>

STRONGMINDS, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

StrongMinds, Inc. 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. StrongMinds, Inc.'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, StrongMinds, Inc. worked in conjunction with FXB Uganda, a non-governmental organization in Uganda, under a partnership agreement in which funding was provided to work on programs and activities related to the organizations' 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.

StrongMinds, Inc. supported the launch of operations in Zambia in 2019. StrongMinds Zambia Limited (SMZ) was registered as a company limited by guarantee on February 1, 2019 and as an NGO on April 10, 2019. Thereafter the organization entered into a master collaboration agreement with SMZ whereby it provides funds for SMZ to carry on programs and activities in accordance with its mission.

Basis of presentation -

The accompanying combined financial statements are presented in accordance with the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, combination is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. The accompanying financial statements include the operations of StrongMinds, Inc., StrongMinds Uganda and StrongMinds Zambia (collectively referred to as "StrongMinds"). All significant inter-company accounts and transactions have been eliminated in combination.

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a 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 "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 and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

STRONGMINDS, INC. AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements adopted -

During 2019, StrongMinds adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. StrongMinds adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

StrongMinds considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, StrongMinds maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

StrongMinds had approximately \$217,099 and \$71,692 of cash and cash equivalents held at financial institutions in foreign countries as of December 31, 2019 and 2018, respectively. The majority of funds invested in foreign countries are uninsured.

Grants and contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the years ended December 31, 2019 and 2018 totaled \$37,690 and \$38,708, respectively.

Income taxes -

StrongMinds is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. StrongMinds is not a private foundation.

StrongMinds Uganda and StrongMinds Zambia are registered charitable organizations under the laws and regulations of their respective country.

STRONGMINDS, INC. AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Uncertain tax positions -

For the years ended December 31, 2019 and 2018, StrongMinds has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Contributions and grants -

The majority of StrongMinds' revenue is received through contributions and grants. Contributions and grants are recognized in the appropriate category of net assets in the period received. StrongMinds performs an analysis of the individual contribution and grant contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements.

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, StrongMinds recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

Contributed services and materials -

Contributed services and materials consist of legal services and IT software. Contributed services and materials are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to StrongMinds; these donated services are not reflected in the combined financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the combined 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STRONGMINDS, INC. AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits) or other reasonable basis.

Functional currency -

The dollar ("Dollars") is the functional currency for StrongMinds' operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the date of the Consolidated Statements of Financial Position. The amount of loss related to foreign currency translation totaled \$12,234 and \$36,167 for the year ended December 31, 2019 and 2018 respectively.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

StrongMinds plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019 and 2018, contributors to StrongMinds have made written promises to give totaling \$1,204,704 and \$471,745, respectively. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate ranging from 1.92% to 2.12%.

Grants are due as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 812,624	\$ 471,745
One to five years	<u>392,080</u>	<u>-</u>
Total	1,204,704	471,745
Less: Allowance to discount balance to present value	<u>(7,920)</u>	<u>-</u>
GRANTS RECEIVABLE	<u>\$ 1,196,784</u>	<u>\$ 471,745</u>

STRONGMINDS, INC. AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Health platform	\$ 14,560	\$ 14,560
Equipment	36,692	31,305
Furniture and fixtures	40,213	40,139
Vehicles	<u>152,092</u>	<u>115,061</u>
Total Property and equipment	243,557	201,065
Less: Accumulated depreciation and amortization	<u>(147,015)</u>	<u>(109,864)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 96,542</u>	<u>\$ 91,201</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified program purposes	\$ 799,254	\$ 506,998
Subject to passage of time	<u>800,000</u>	<u>33,333</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,599,254</u>	<u>\$ 540,331</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished	\$ 964,430	\$ 77,977
Passage of time	<u>33,333</u>	<u>83,333</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 997,763</u>	<u>\$ 161,310</u>

5. LIQUIDITY

Financial assets available for use within one year of the Combined Statements of Financial Position comprise the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,177,142	\$ 845,803
Grants and contributions receivable	812,624	471,745
Less donor restrictions	<u>(799,254)</u>	<u>(506,998)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,190,512</u>	<u>\$ 810,550</u>

STRONGMINDS, INC. AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

5. LIQUIDITY (Continued)

StrongMinds has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019 and 2018, StrongMinds has financial assets equal to approximately nine and four months of operating expenses, respectively.

6. LEASE COMMITMENTS

StrongMinds entered into a two (2) year lease agreement to lease office space at 515 Valley Street in Maplewood, New Jersey, starting on November 1, 2017 and expiring on October 31, 2019. Monthly lease payments were \$1,500. This agreement was amended in April 2019. The amended lease commenced May 1, 2019 and expires on April 30, 2021. Monthly lease payments are \$2,750.

StrongMinds Uganda entered into a one (1) year lease agreement to rent office space at Plot 782 in Mukono, Uganda commencing on June 1, 2017. This lease agreement was amended in May 2018. The amended lease commenced June 1, 2018 and expires May 30, 2020. Monthly lease payments are 1,200,000 UGX per month (approximately \$330).

StrongMinds Uganda entered into a three (3) year lease agreement to rent office space at Plot 98 in Ntinda, Kampala commencing on March 1, 2018. Lease payments are \$2,500, \$2,575 and \$2,730 for the three years, respectively. In May 2019, this lease was terminated and StrongMinds Uganda entered into a three (3) year lease agreement to rent office space at Plot 30 in Bugolobi, Kampala commencing on June 1, 2019. Monthly lease payments are \$3,000 per month.

StrongMinds Uganda entered into a two (2) year lease agreement to rent office space at Plot 2 in Iganga, Uganda commencing on June 1, 2019. Monthly lease payments are 1,000,000 UGX per month (approximately \$275).

StrongMinds Zambia entered into a one (1) year lease agreement to rent office space at Plot 10484 in Olympia, Zambia commencing on March 18, 2019. Monthly lease payments are \$1,000 per month. The lease agreement was amended January 2020. The amended lease commenced January 1, 2020 and expires December 31, 2020. Monthly lease payments are \$1,200 per month. The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2020	\$ 119,150
2021	52,735
2022	<u>15,000</u>
	<u>\$ 186,885</u>

Rent expense for the years ended December 31, 2019 and 2018 was \$83,335 and 59,204 respectively.

7. RETIREMENT PLAN

StrongMinds, Inc. permits salary reduction contributions to be made to a simple individual retirement account or annuity (SIMPLE IRA plan). StrongMinds, Inc. 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. StrongMinds, Inc. made contributions in the amounts of \$16,709 and \$10,259 for the years ended December 31, 2019 and 2018, respectively.

STRONGMINDS, INC. AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

8. CONTINGENCY

Various lawsuits and other contingent liabilities arise in the ordinary course of StrongMinds' activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on StrongMinds' combined financial statements.

9. SUBSEQUENT EVENTS

In preparing these combined financial statements, StrongMinds has evaluated events and transactions for potential recognition or disclosure through June 22, 2020, the date the combined financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact StrongMinds's operations. The overall potential impact is unknown at this time.

On May 19, 2020, StrongMinds entered into a two-year promissory note agreement in the amount of \$120,700 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note requires monthly principal and interest payments amortized over the term of the promissory note beginning December 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

SUPPLEMENTAL INFORMATION

STRONGMINDS, INC. AND RELATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

	StrongMinds USA	StrongMinds Uganda	StrongMinds Zambia	Eliminations	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,960,043	\$ 133,922	\$ 83,177	\$ -	\$ 2,177,142
Grants and contributions receivable	717,920	94,704	-	-	812,624
Due from related parties	69,043	-	-	(69,043)	-
Prepaid expenses	3,622	22,537	1,801	-	27,960
Total current assets	2,750,628	251,163	84,978	(69,043)	3,017,726
PROPERTY AND EQUIPMENT, NET	14,739	75,086	6,717	-	96,542
OTHER ASSETS					
Deposits	2,433	2,949	-	-	5,382
Grants and contributions receivable, net of current portion	384,160	-	-	-	384,160
Total other assets	386,593	2,949	-	-	389,542
TOTAL ASSETS	\$ 3,151,960	\$ 329,198	\$ 91,695	\$ (69,043)	\$ 3,503,810

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 47,710	\$ 105,625	\$ 32,259	\$ -	\$ 185,594
Due to related party	-	43,576	25,467	(69,043)	-
Total current liabilities	47,710	149,201	57,726	(69,043)	185,594

NET ASSETS

Without donor restrictions	1,504,996	179,997	33,969	-	1,718,962
With donor restrictions	1,599,254	-	-	-	1,599,254
Total net assets	3,104,250	179,997	33,969	-	3,318,216
TOTAL LIABILITIES AND NET ASSETS	\$ 3,151,960	\$ 329,198	\$ 91,695	\$ (69,043)	\$ 3,503,810

STRONGMINDS, INC. AND RELATED ENTITIES

COMBINING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	StrongMinds USA			StrongMinds Uganda			StrongMinds Zambia			Eliminations	Grand Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
REVENUE											
Contributions	\$ 1,604,067	\$ -	\$ 1,604,067	\$ 1,735,223	\$ -	\$ 1,735,223	\$ 412,883	\$ -	\$ 412,883	\$ (2,155,183)	\$ 1,596,990
Corporate and foundation grants	1,607,134	2,056,686	3,663,820	247,916	-	247,916	-	-	-	-	3,911,736
Contributed services and materials	10,582	-	10,582	-	-	-	-	-	-	-	10,582
Interest income	7,527	-	7,527	-	-	-	-	-	-	-	7,527
Other revenue	1,797	-	1,797	5,676	-	5,676	-	-	-	-	7,473
Net assets released from restrictions	997,763	(997,763)	-	-	-	-	-	-	-	-	-
Total revenue	4,228,870	1,058,923	5,287,793	1,988,815	-	1,988,815	412,883	-	412,883	(2,155,183)	5,534,308
EXPENSES											
Program Services	2,659,133	-	2,659,133	1,597,332	-	1,597,332	311,590	-	311,590	(2,155,183)	2,412,872
Supporting Services:											
General and Administrative	374,923	-	374,923	334,819	-	334,819	65,937	-	65,937	-	775,679
Fundraising	395,693	-	395,693	2,118	-	2,118	-	-	-	-	397,811
Total supporting services	770,616	-	770,616	336,937	-	336,937	65,937	-	65,937	-	1,173,490
Total expenses	3,429,749	-	3,429,749	1,934,269	-	1,934,269	377,527	-	377,527	(2,155,183)	3,586,362
Change in net assets before other item	799,121	1,058,923	1,858,044	54,546	-	54,546	35,356	-	35,356	-	1,947,946
OTHER ITEM											
Foreign currency translation loss	-	-	-	(10,847)	-	(10,847)	(1,387)	-	(1,387)	-	(12,234)
Change in net assets	799,121	1,058,923	1,858,044	43,699	-	43,699	33,969	-	33,969	-	1,935,712
Net assets at beginning of year	705,875	540,331	1,246,206	136,298	-	136,298	-	-	-	-	1,382,504
NET ASSETS AT END OF YEAR	\$ 1,504,996	\$ 1,599,254	\$ 3,104,250	\$ 179,997	\$ -	\$ 179,997	\$ 33,969	\$ -	\$ 33,969	\$ -	\$ 3,318,216