
PROPELLER: A FORCE FOR SOCIAL INNOVATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

PROPELLER: A FORCE FOR SOCIAL INNOVATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Propeller: A Force for Social Innovation

Report on the Financial Statements

We have audited the accompanying financial statements of Propeller: A Force for Social Innovation (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Organization'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 Organization'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 Propeller: A Force for Social Innovation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update No. 2016-14 in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on page 14 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 19, 2019

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$ 426,533	\$ 258,823
Cash - restricted	409,143	1,034,166
Grants receivable	26,339	191,949
Other receivables, net	6,510	44,981
Prepaid expenses	16,703	19,902
Equipment, net	16,332	18,147
	<hr/>	<hr/>
Total assets	\$ 901,560	\$ 1,567,968
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 89,669	\$ 34,947
Payroll and related liabilities	17,778	23,255
Deferred revenue	8,333	-
	<hr/>	<hr/>
Total liabilities	115,780	58,202
	<hr/>	<hr/>

NET ASSETS

Without donor restrictions	376,637	475,600
With donor restrictions	409,143	1,034,166
	<hr/>	<hr/>
Total net assets	785,780	1,509,766
	<hr/>	<hr/>
Total liabilities and net assets	\$ 901,560	\$ 1,567,968
	<hr/> <hr/>	<hr/> <hr/>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT</u>						
Grants	\$ 16,667	\$ 1,626,940	\$ 1,643,607	\$ -	\$ 1,800,135	\$ 1,800,135
Contributions	23,554	-	23,554	154,104	-	154,104
Special event (net of direct costs of \$23,338 and \$11,866, respectively)	15,831	-	15,831	37,845	-	37,845
Net assets released from restriction	2,251,963	(2,251,963)	-	1,649,031	(1,649,031)	-
Total revenues and other support	2,308,015	(625,023)	1,682,992	1,840,980	151,104	1,992,084
<u>EXPENSES</u>						
General and administrative	62,511	-	62,511	41,578	-	41,578
Insurance	11,372	-	11,372	11,673	-	11,673
Legal and professional fees	36,354	-	36,354	23,026	-	23,026
Meals and entertainment	8,691	-	8,691	5,894	-	5,894
Program services	927,168	-	927,168	586,917	-	586,917
Rent	41,804	-	41,804	32,279	-	32,279
Salaries and benefits	1,319,078	-	1,319,078	1,018,029	-	1,018,029
Total expenses	2,406,978	-	2,406,978	1,719,396	-	1,719,396
Change in net assets	(98,963)	(625,023)	(723,986)	121,584	151,104	272,688
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	475,600	1,034,166	1,509,766	354,016	883,062	1,237,078
<u>NET ASSETS AT END OF THE YEAR</u>	\$ 376,637	\$ 409,143	\$ 785,780	\$ 475,600	\$ 1,034,166	\$ 1,509,766

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

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

	Program Services							Supporting Services					Total Expenses
	<u>Food</u>	<u>Education</u>	<u>Health</u>	<u>Water</u>	<u>Neighborhood</u>	<u>Impact and Alumni</u>	<u>Social Venture Fund</u>	<u>General Programs (Accelerator and PitchNOLA)</u>	<u>Program Total</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and Benefits	\$ 228,281	\$ 153,661	\$ 154,551	\$ 180,951	\$ 251,604	\$ -	\$ 115,565	\$ 12,741	\$ 1,097,354	\$ 163,590	\$ 58,134	\$ 1,319,078	
Marketing	171	5,093	-	1,508	624	1,552	-	29,346	38,294	457	-	38,751	
Occupancy	4,247	4,247	4,247	4,247	-	-	-	-	16,988	24,816	-	41,804	
Contractual/Professional Fees	18,985	6,729	5,181	7,842	42,460	42,582	22,606	140,908	287,293	44,028	11,454	342,775	
Supplies	2,086	1,199	260	103	3,665	12,512	1,099	37,417	58,341	9,156	14,363	81,860	
Grants and Prizes	186,747	-	800	-	-	-	300,000	54,000	541,547	-	-	541,547	
Insurance	-	-	-	-	-	-	-	-	-	11,372	-	11,372	
Travel	6,581	-	95	831	755	545	984	443	10,234	-	139	10,373	
IT	-	-	-	-	-	-	-	-	-	960	-	960	
Other	-	-	-	-	-	-	-	-	-	40,360	1,436	41,796	
Total expenses for the year ended December 31, 2018	\$ 447,098	\$ 170,929	\$ 165,134	\$ 195,482	\$ 299,108	\$ 57,191	\$ 440,254	\$ 274,855	\$ 2,050,051	\$ 294,739	\$ 85,526	\$ 2,430,316	
Total expenses for the year ended December 31, 2017	\$ 470,399	\$ 265,884	\$ 186,392	\$ 323,191	\$ 102,077	\$ -	\$ 65,210	\$ 18,074	\$ 1,431,227	\$ 239,535	\$ 60,500	\$ 1,731,262	

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (723,986)	\$ 272,688
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,815	-
Changes in operating assets and liabilities:		
Grants receivable	165,610	(46,949)
Other receivables	38,471	(32,851)
Prepaid expenses	3,199	(14,349)
Accounts payable and accrued expenses	54,722	12,195
Payroll and related liabilities	(5,477)	7,185
Deferred revenue	8,333	-
Net cash provided by (used in) operating activities	<u>(457,313)</u>	<u>197,919</u>
<u>INVESTING ACTIVITIES</u>		
Purchases of equipment	-	(18,147)
Net cash used in investing activities	<u>-</u>	<u>(18,147)</u>
Net increase (decrease) in cash	(457,313)	179,772
Cash, beginning of year	<u>1,292,989</u>	<u>1,113,217</u>
Cash, end of year	<u>\$ 835,676</u>	<u>\$ 1,292,989</u>
Cash is comprised of:		
Cash, unrestricted	\$ 426,533	\$ 258,823
Cash, restricted	409,143	1,034,166
	<u>\$ 835,676</u>	<u>\$ 1,292,989</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Propeller: A Force for Social Innovation (formerly Social Entrepreneurs of New Orleans, Inc.) (the Organization) is a 501 (c) (3) non-profit corporation incorporated on August 26, 2008 under the laws of the State of Louisiana. It is dedicated to supporting social innovation in New Orleans. The Organization's mission is to grow and support entrepreneurs to tackle social and environmental disparities. Propeller envisions a powerful community of diverse entrepreneurs and stakeholders working together for a more equitable future where everyone can lead healthy, fulfilling lives free of racism, poverty, and other systems of oppression. At the heart of Propeller's mission lie its Impact Accelerator programs, designed to support social entrepreneurs throughout the business life cycle—from idea, to beta, to growth.

In 2017, the Organization established the Social Venture Fund, a partnership between the Organization and the Foundation for Louisiana (FFL) which acts as the fund manager and lender. The Social Venture Fund is a \$1 million loan fund that provides below market-rate loans between \$20,000 and \$100,000 to business and non-profits tackling disparities in the areas of food, water, health, education, and economic justice. The FFL is the sole administrator and fund manager of the Social Venture Fund.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

The financial statements of the Organization 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 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 increase 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.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2018 and 2017.

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC).

Restricted cash represents funds restricted for the designations listed in Note 6.

Receivables

Propeller provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after Propeller has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2018 and 2017, the Organization has provided for an allowance for doubtful accounts in the amount of \$0 and \$6,416, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives of 5 years for computers, copiers, and furniture and 10 years for equipment.

Revenue Recognition

Revenue is recognized when earned. Revenues from federal grants are recorded when Propeller has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by Propeller, or when otherwise earned under the terms of the grants. Contributions and non-federal grants are recognized when cash or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2018, conditional promises to give totaled \$558,937 and are contingent upon receipt and approval by the grantor of reports, which demonstrate satisfactory progress of the stated objectives of the grant.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Donated Services

Members of the Organization's board of directors and other volunteers have made significant contributions of their time to assist in the Organization's operations and related charitable programs. The value of this contributed time is not recorded in these financial statements because it does not meet the requirements to be recorded in accordance with accounting principles generally accepted in the United States.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes on related income has been included in the financial statements.

The Organization applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The majority of expenses have been specifically identified with a program or supporting service. Certain costs have been allocated among the programs and supporting services benefited using appropriate methodologies such as time and effort.

Recently Adopted Accounting Standards

As of January 1, 2018 the Organization adopted Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This adoption of ASU 2016-14 had no impact on the Organization's total net assets.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Standards

In November 2016, the FASB issued Accounting Standard Update 2016-18 *Restricted Cash*. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization has presented its statement of cash flows for the years ended December 31, 2018 and 2017 in accordance with this standard.

Accounting Pronouncements Issued but Not Yet in Effect

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for the Organization for annual periods beginning after December 15, 2018.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This standard is effective for annual periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard’s implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years’ results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. The standard is effective for annual periods beginning after December 15, 2019.

The Organization is currently assessing the impact of these pronouncements on the financial statements.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Reclassifications

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

2. Liquidity and Availability of Resources

The following presents the Organization's financial assets at December 31, 2018:

Financial assets at year-end	
Cash	\$ 835,676
Grants and other receivables	32,849
Total financial assets	<u>\$ 868,525</u>

All financial assets presented above are available to meet general expenditures over the next twelve months. General expenditures include program activities, management and general activities, and amounts expended on fundraising for the organization.

The Organization's goal is to have a minimum operating reserve fund for the organization of 17% of the following year's budget. The operating reserve is to be held in a savings or other interest-bearing account. In addition to the operating reserve, two months of average budget expenses (based on the current year budget) is kept in a checking account as operating capital. The Organization has a \$100,000 line of credit available to meet cash flow needs.

3. Grants

Propeller received funding from the following sources for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Corporate	\$ 265,000	\$ 140,000
Foundations	1,153,607	1,282,415
Federal	125,000	277,720
Municipal	100,000	100,000
	<u>\$ 1,643,607</u>	<u>\$ 1,800,135</u>

4. Economic Dependency

The primary sources of revenues for Propeller are grants and contributions provided through various funding agencies. The continued operations of the Organization are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding. For the year ended December 31, 2018, the Organization had grant revenue from one foundation totaling approximately \$420,000 representing 25% of the Organization's revenue.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment is summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 18,147	\$ 18,147
Less: accumulated depreciation	(1,815)	-
Property and equipment, net	<u>\$ 16,332</u>	<u>\$ 18,147</u>

6. Net Assets with Donor Restrictions

The Organization has the following net assets with donor restrictions as of December 31:

	<u>2018</u>	<u>2017</u>
Public Health and Community Development		
Social Accelerator program	\$ 51,551	\$ 62,437
The Water Challenge program	7,195	36,523
Social Venture Fund	-	250,000
Education Impact Accelerator program	-	180,911
Education-related programs and services	104,292	48,031
Propeller Impact Accelerator	150,037	376,711
PitchNOLA: Living Well Healthy Living	-	4,383
New Orleans Healthy Cornerstore Initiative	65,794	45,962
Newman's Own Foundation Fellowship	24,615	24,208
South Broad Business Initiative (Neighborhood Sector)	5,659	5,000
Total	<u>\$ 409,143</u>	<u>\$ 1,034,166</u>

7. Related Party Lease

The Organization leases its operating facilities from HUB NOLA, LLC, an affiliate, under a membership agreement which automatically extended on a month-to-month basis subsequent to December 31, 2015. Total lease expense for the years ended December 31, 2018 and 2017 was \$41,804 and \$32,279, respectively.

8. Line of Credit

On October 21, 2014, the Organization established a line of credit with a maximum borrowing amount of \$100,000. The line of credit which is maturing on October 21, 2019 has an interest rate based on 4.00 percentage points over the Wall Street Journal prime rate which resulted in an interest rate of 8.25% at December 31, 2018 and 2017. At December 31, 2018 and 2017, the balance on the line of credit was \$0. The line of credit was not used during 2018 or 2017.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 19, 2019, and determined that there were no other events occurred that require additional disclosure other than the matter described in the following paragraphs. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

On June 6, 2019, Propeller purchased 4035 Washington Avenue for \$1,360,000 from NOLA COMMUNITY DEVELOPMENT II (NCD II). Propeller previously leased the facility from HUB NOLA LLC, a joint venture co-owned by Green Coast Enterprises (GCE) and Propeller, which served as the building's master tenant. As part of the acquisition, GCE assigned its interest in HUB NOLA LLC to Propeller. HUB NOLA LLC is now fully owned by Propeller.

The building acquisition was debt financed by a loan with Liberty Bank for \$1,088,000 and a note with a related party in the amount of \$136,000. The loan with Liberty Bank is a 25-year maturity/25-year amortization note, with an interest rate of 5.15% fixed for the first five years. The rate will automatically reset at Wall Street Journal Prime index plus 0.75 every five years. Principal payments are scheduled to commence on July 6, 2019. The loan is collateralized with deposit accounts, pledges of leases and rents, and real (immovable) property and all of Propeller's personal (movable) property rights with the exception of restricted grant revenues. The related party note is repayable over 15 years and bears interest at 3%, with payments of principal commencing on June 15, 2019.

SUPPLEMENTAL SCHEDULE

PROPELLER: A FORCE FOR SOCIAL INNOVATION

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY
HEAD OR CHIEF EXECUTIVE OFFICER
DECEMBER 31, 2018**

Agency Head Name: Andrea Chen

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

The Organization is not required to report the total compensation, reimbursements, and benefits paid to the agency head as these costs are not supported by public funds.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Propeller: A Force for Social Innovation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Propeller: A Force for Social Innovation (the Organization), which comprise the statement of financial position as of December 31, 2018 and the related statement of activities and changes in net assets, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Metairie, Louisiana
June 19, 2019