
PROPELLER: A FORCE FOR SOCIAL INNOVATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	8
<u>SUPPLEMENTAL SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD</u>	16
<u>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</u>	17

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Propeller: A Force for Social Innovation and its subsidiary (collectively referred to as “the Organization”), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 consolidated 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 consolidated 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 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 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 consolidated 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 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 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 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Propeller: A Force for Social Innovation and its subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 29, 2021, 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 29, 2021

PROPELLER: A FORCE FOR SOCIAL INNOVATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
<u>ASSETS</u>		
Cash	\$ 1,390,207	\$ 351,313
Grants and contributions receivable	655,000	1,001,400
Other receivables	5,400	2,406
Prepaid expenses	8,551	4,932
Property and equipment, net	1,345,025	1,369,278
Total assets	\$ 3,404,183	\$ 2,729,329

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 37,516	\$ 49,647
Payroll and related liabilities	27,152	27,035
Notes payable	1,329,910	1,209,723
Total liabilities	1,394,578	1,286,405
<u>NET ASSETS</u>		
Without donor restrictions	590,399	378,047
With donor restrictions	1,419,206	1,064,877
Total net assets	2,009,605	1,442,924
Total liabilities and net assets	\$ 3,404,183	\$ 2,729,329

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>			<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>						
Grants and contributions	\$ 237,500	\$ 1,562,795	\$ 1,800,295	\$ 420,264	\$ 2,160,791	\$ 2,581,055
Special event (net of direct costs of \$0 and \$13,886, respectively)	-	-	-	35,911	-	35,911
Rental income	133,841	-	133,841	232,130	-	232,130
Paycheck Protection Program income	-	238,843	238,843	-	-	-
Net assets released from restriction	1,447,309	(1,447,309)	-	1,505,057	(1,505,057)	-
	<u>1,818,650</u>	<u>354,329</u>	<u>2,172,979</u>	<u>2,193,362</u>	<u>655,734</u>	<u>2,849,096</u>
Total revenues and other support						
<u>EXPENSES</u>						
Program services	934,488	-	934,488	1,438,334	-	1,438,334
Management and general	576,250	-	576,250	566,736	-	566,736
Fundraising	95,560	-	95,560	186,882	-	186,882
	<u>1,606,298</u>	<u>-</u>	<u>1,606,298</u>	<u>2,191,952</u>	<u>-</u>	<u>2,191,952</u>
Total expenses						
Change in net assets	212,352	354,329	566,681	1,410	655,734	657,144
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	<u>378,047</u>	<u>1,064,877</u>	<u>1,442,924</u>	<u>376,637</u>	<u>409,143</u>	<u>785,780</u>
<u>NET ASSETS AT END OF THE YEAR</u>	<u>\$ 590,399</u>	<u>\$ 1,419,206</u>	<u>\$ 2,009,605</u>	<u>\$ 378,047</u>	<u>\$ 1,064,877</u>	<u>\$ 1,442,924</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020													
	Program Services							Supporting Services						
							<u>General Programs (Accelerator and PitchNOLA)</u>							
	<u>Food</u>	<u>Education</u>	<u>Health</u>	<u>Water</u>	<u>Neighborhood</u>	<u>Impact and Alumni</u>	<u>HUB NOLA</u>	<u>Other Programs</u>	<u>Program Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>		
Salaries and Benefits	\$ 218,278	\$ 74,322	\$ 152,592	\$ 74,322	\$ 149,382	\$ -	\$ -	\$ 537	\$ 21,284	\$ 690,717	\$ 180,881	\$ 950,238		
Marketing	-	-	-	-	-	-	8,617	-	-	8,617	167	8,784		
Occupancy	-	-	-	-	-	-	-	21,664	-	21,664	111,447	137,444		
Contractual/Professional Fees	48,981	5,350	-	12,045	-	42,302	79,003	3,120	4,625	195,426	170,571	372,787		
Supplies	57	-	57	-	343	-	3,196	10,856	-	14,509	18,470	38,032		
Insurance	-	-	-	-	-	-	-	1,055	-	1,055	13,051	14,317		
Travel	232	-	6	-	-	16	574	-	-	828	-	828		
IT	-	-	-	-	-	-	-	-	-	-	774	774		
Interest	-	-	-	-	-	-	-	-	-	-	59,389	59,389		
Other	-	-	-	-	-	-	-	1,672	-	1,672	21,500	23,705		
Total expenses for the year ended December 31, 2020	<u>\$ 267,548</u>	<u>\$ 79,672</u>	<u>\$ 152,655</u>	<u>\$ 86,367</u>	<u>\$ 149,725</u>	<u>\$ 42,318</u>	<u>\$ 91,390</u>	<u>\$ 38,904</u>	<u>\$ 25,909</u>	<u>\$ 934,488</u>	<u>\$ 576,250</u>	<u>\$ 1,606,298</u>		
Total expenses included in the expense on the statements of activities	<u>\$ 267,548</u>	<u>\$ 79,672</u>	<u>\$ 152,655</u>	<u>\$ 86,367</u>	<u>\$ 149,725</u>	<u>\$ 42,318</u>	<u>\$ 91,390</u>	<u>\$ 38,904</u>	<u>\$ 25,909</u>	<u>\$ 934,488</u>	<u>\$ 576,250</u>	<u>\$ 1,606,298</u>		

(continued)

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019										Supporting Services		Total Expenses
	Program Services					General Programs and Accelerator					Management and General		
	Food	Education	Health	Water	Neighborhood	Impact and Alumni	PitchNOLA	HUB NOLA	Other Programs	Program Total	Management and General	Fundraising	
Salaries and Benefits	\$ 254,506	\$ 137,092	\$ 190,909	\$ 193,582	\$ 149,737	\$ -	\$ -	\$ 26,373	\$ 25,449	\$ 977,648	\$ 243,968	\$ 150,332	\$ 1,371,948
Marketing	977	591	490	591	390	-	15,908	1,080	-	20,027	1,783	216	22,026
Occupancy	-	-	-	-	-	-	-	59,776	-	59,776	84,759	11,955	156,490
Contractual/Professional Fees	77,819	10,176	1,398	4,040	1,753	83,813	78,411	17,940	19,116	294,466	157,665	25,241	477,372
Supplies	6,162	270	-	186	455	3,268	13,236	11,889	-	35,466	18,404	12,020	65,890
Grants and Prizes	-	-	-	-	-	-	36,500	-	-	36,500	-	-	36,500
Insurance	-	-	-	-	-	-	-	1,151	-	1,151	14,356	230	15,737
Travel	3,844	-	250	190	-	574	4,610	-	-	9,468	-	7	9,475
IT	-	-	-	-	-	-	-	-	-	-	338	-	338
Interest	-	-	-	-	-	-	-	1,334	-	1,334	31,452	267	33,053
Other	-	-	-	-	-	-	-	2,498	-	2,498	14,011	500	17,009
Total expenses for the year ended December 31, 2019	<u>\$ 343,308</u>	<u>\$ 148,129</u>	<u>\$ 193,047</u>	<u>\$ 198,589</u>	<u>\$ 152,335</u>	<u>\$ 87,655</u>	<u>\$ 148,665</u>	<u>\$ 122,041</u>	<u>\$ 44,565</u>	<u>\$ 1,438,334</u>	<u>\$ 566,736</u>	<u>\$ 200,768</u>	<u>\$ 2,205,838</u>
Less expenses netted with revenues on the statements of activities													
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(13,886)	(13,886)
Total expenses included in the expense on the statements of activities	<u>\$ 343,308</u>	<u>\$ 148,129</u>	<u>\$ 193,047</u>	<u>\$ 198,589</u>	<u>\$ 152,335</u>	<u>\$ 87,655</u>	<u>\$ 148,665</u>	<u>\$ 122,041</u>	<u>\$ 44,565</u>	<u>\$ 1,438,334</u>	<u>\$ 566,736</u>	<u>\$ 186,882</u>	<u>\$ 2,191,952</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 566,681	\$ 657,144
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,213	17,514
Bad debt expense	3,344	4,997
Changes in operating assets and liabilities:		
Grants and contributions receivable	346,400	(975,061)
Other receivables	(6,338)	(893)
Prepaid expenses	(3,619)	11,771
Accounts payable and accrued expenses	(12,131)	(40,022)
Payroll and related liabilities	117	9,257
Deferred revenue	-	(8,333)
Net cash provided by (used in) operating activities	<u>927,667</u>	<u>(323,626)</u>
<u>INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(8,960)</u>	<u>(1,370,460)</u>
Net cash used in investing activities	<u>(8,960)</u>	<u>(1,370,460)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from notes payable	149,900	1,224,000
Payments on notes payable	<u>(29,713)</u>	<u>(14,277)</u>
Net cash provided by financing activities	<u>120,187</u>	<u>1,209,723</u>
Net change in cash	1,038,894	(484,363)
Cash, beginning of year	<u>351,313</u>	<u>835,676</u>
Cash, end of year	<u>\$ 1,390,207</u>	<u>\$ 351,313</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 59,389</u>	<u>\$ 30,385</u>

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

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Propeller: A Force for Social Innovation (formerly Social Entrepreneurs of New Orleans, Inc.) (“Propeller”) 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 an inclusive and thriving entrepreneurial ecosystem that responds to community needs and creates the conditions for an equitable future. 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 startup, to growth.

Propeller has a wholly-owned for profit subsidiary, HUB NOLA LLC (“HUB NOLA”). HUB NOLA supports Propeller’s public benefit goals and is responsible for operating and leasing coworking space at the social innovation facility located at 4035 Washington Avenue, New Orleans, Louisiana. See Note 2 for additional information.

Propeller and HUB NOLA are collectively referred to as the “Organization”.

Basis of Accounting and Presentation of Net Assets

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), which require the Organization to 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 donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash includes amounts on deposit at financial institutions. The Organization considers all highly liquid investments available for current use with initial maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. The Organization held no cash equivalents at December 31, 2020 and 2019.

Receivables

Receivables, consisting of grants, contributions, and other receivables, are stated at the amount management expects to collect from outstanding balances. The Organization determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. At December 31, 2020 and 2019, the Organization did not deem any receivables to be uncollectable; therefore, no allowance was recorded.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives of 5 years for computers, copiers, and furniture, 10 years for equipment, and 27.5 years for the building.

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

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 consolidated financial statements because it does not meet the requirements to be recorded in accordance with U.S. GAAP.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes non-federal grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with measureable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

In 2019, the Organization was awarded cost-reimbursable grants totaling \$350,000 which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. Revenue recognized in relation to these grants was \$249,646 and \$100,354 for the years ended December 31, 2020 and 2019.

At December 31, 2020, contributions approximating \$1,210,381 have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend on have not yet been met. The amount of the contributions depends on performance metrics and benchmarks that must be met in future fiscal years in order to receive the contributions.

Rental income is recognized as the rent becomes due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are operating leases.

Income Taxes

Propeller is a not-for-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47: 121(5).

HUB NOLA is a wholly-owned disregarded entity of Propeller for income tax purposes. As such, there is no separate tax return required.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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 Standard

The Financial Accounting Standards Board (“FASB”) has issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, 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. There were no material changes to recognition or presentation of revenue as a result of the application of this ASU.

Accounting Pronouncements Issued but Not Yet in Effect

On September 17, 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Organization’s fiscal year ending December 31, 2022.

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. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. This standard will be effective for the Organization’s fiscal year ending December 31, 2022.

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

2. Acquisition

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. Following the acquisition of the property by Propeller, GCE assigned its interest in HUB NOLA LLC to Propeller for no consideration. HUB NOLA had nominal assets and liabilities at the date of the assignment. HUB NOLA LLC is now wholly-owned by Propeller. The building acquisition was financed through notes payable as described in Note 10.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

The following presents the Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash	\$ 1,390,207	\$ 351,313
Grants and other receivables	660,400	1,003,806
Total financial assets at year-end	<u>\$ 2,050,607</u>	<u>\$ 1,355,119</u>
Less amounts not available to be used within one year for general expenditures:		
Net assets with donor restrictions	1,419,206	1,064,877
Less net assets with donor restrictions to be met in less than a year	<u>(386,448)</u>	<u>(215,308)</u>
	<u>1,032,758</u>	<u>849,569</u>
Financial assets available for general expenditures within one year	<u>\$ 1,017,849</u>	<u>\$ 505,550</u>

The Organization's goal is to maintain a target cash reserve of two months of operating expenses, which is approximately \$250,000 to \$500,000. The Organization also maintains a \$100,000 line of credit available to meet cash flow needs.

4. Economic Dependency

The primary sources of revenues for Propeller are grants and contributions provided through various funding agencies. Continued operations are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding. In 2020, Propeller had two major grantors that accounted for approximately 44% of revenue.

5. Contingencies

From time to time, the Organization is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position.

6. Concentrations of Credit Risk

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"). The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Property and Equipment

Property and equipment is summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Building and building improvements	\$ 894,420	\$ 885,460
Land	485,000	485,000
Equipment	18,147	18,147
	<u>1,397,567</u>	<u>1,388,607</u>
Less: accumulated depreciation	(52,542)	(19,329)
Property and equipment, net	<u>\$ 1,345,025</u>	<u>\$ 1,369,278</u>

8. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
The Water Challenge program - time and purpose	\$ 152,583	\$ 82,720
Propeller Impact Accelerator - time and purpose	862,842	323,335
Building renovation project - purpose	146,281	290,227
New Orleans Healthy Cornerstore Initiative - purpose	7,500	82,304
Donor-restricted endowment - perpetual in nature	250,000	250,000
Newman's Own Foundation Fellowship - purpose	-	36,291
Total	<u>\$ 1,419,206</u>	<u>\$ 1,064,877</u>

9. 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 was renewed in 2020 through November 20, 2021. The interest rate is based on 4.00 percentage points over the Wall Street Journal prime rate which resulted in an interest rate of 7.25% and 8.75% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the balance on the line of credit was \$0. The line of credit was not used during 2020 or 2019.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Notes Payable

The building acquisition was debt financed by a loan with Liberty Bank for \$1,088,000 and an unsecured 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 commenced in July 2019. In November 2020, the Organization refinanced the loan, reducing the interest rate to 4.75% for 42 months starting in December 2020. In June 2024 the rate will reset at Wall Street Journal Prime index plus .75 for the rest of the loan term. 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. At December 31, 2020 and 2019, the balance outstanding was \$1,055,039 and \$1,077,341, respectively. The related party note is repayable over 15 years and bears interest at 3%. Principal payments commenced in June 2019. As of December 31, 2020 and 2019, the balance outstanding on the related party note was \$124,971 and \$132,382, respectively.

During the year ended December 31, 2020, the Organization applied for and was approved for a \$150,000 economic injury disaster loan administered by the U.S. Small Business Association as part of the relief efforts related to COVID-19. As part of the loan agreement, the Organization must use all of the proceeds solely as working capital to alleviate economic injury caused by COVID-19. The loan has an annual interest rate of 2.75% and matures in July 2050. The loan requires monthly principal and interest payments of \$641 beginning in July 2022 and is secured by substantially all assets of the Organization. At December 31, 2020, the balance on the loan was \$149,900.

The notes payable at December 31, 2020 mature as follows:

2021	\$	32,934
2022		34,395
2023		36,948
2024		41,977
2025		45,270
Thereafter		1,138,386
	\$	<u>1,329,910</u>

11. Paycheck Protection Program

During the year ended December 31, 2020, the Organization applied for and was approved for a \$238,843 loan under the Paycheck Protection Program (“PPP”) administered by the Small Business Administration as part of the relief efforts related to COVID-19. The Organization was granted full forgiveness of the loan on February 2, 2021. The Organization recognized \$238,843 of the loan as an unconditional contribution, which is recorded in the consolidated statements of activities for the year ended December 31, 2020, having met the conditions for forgiveness by incurring eligible expenditures.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Related Parties

During the year ended December 31, 2020, the Organization was awarded by W.K. Kellogg Foundation a grant in the amount of \$1,670,001. The Organization recognized \$709,620 as grants and contributions revenue on the consolidated financial statements for the year ended December 31, 2020. A member of the Organization's board is also currently employed by the W.K. Kellogg Foundation.

13. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 29, 2021, and determined that the following matter required additional disclosure in the consolidated financial statements. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

In February 2021, the Organization applied for and was approved for a \$231,250 Second Draw PPP loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

SUPPLEMENTAL SCHEDULE

PROPELLER: A FORCE FOR SOCIAL INNOVATION

**SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
DECEMBER 31, 2020**

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 consolidated financial statements of Propeller: A Force for Social Innovation and its subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statement of activities, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 consolidated 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 consolidated financial statement. 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.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2021