



PREEMPTIVE LOVE COALITION

Financial Statements  
With Independent Auditors' Report

December 31, 2017 and 2016

# PREEMPTIVE LOVE COALITION

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Preemptive Love Coalition  
Hewitt, Texas

### ***Report on Financial Statements***

We have audited the accompanying financial statements of Preemptive Love Coalition (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Preemptive Love Coalition  
Hewitt, Texas

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preemptive Love Coalition as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The December 31, 2016 financial statements were reviewed by us, and our report thereon, dated June 30, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

*Capin Crouse LLP*

Lawrenceville, Georgia  
June 1, 2018

# PREEMPTIVE LOVE COALITION

## Statements of Financial Position

	December 31,	
	2017	2016
	(Audited)	(Reviewed)
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,286,752	\$ 6,010,746
Investments	9,294,012	3,200,052
Accounts receivable	269,714	283,274
Prepaid expenses and other assets	155,873	53,167
Property and equipment—net	36,445	35,708
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 12,042,796</u>	<u>\$ 9,582,947</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	<u>\$ 133,868</u>	<u>\$ 171,278</u>
Net assets:		
Unrestricted:		
Undesignated	10,972,483	6,573,399
Board designated	750,000	750,000
Equity in property and equipment	36,445	35,708
	<u>11,758,928</u>	<u>7,359,107</u>
Temporarily restricted	150,000	2,052,562
	<u>11,908,928</u>	<u>9,411,669</u>
Total Liabilities and Net Assets	<u>\$ 12,042,796</u>	<u>\$ 9,582,947</u>

See notes to financial statements

# PREEMPTIVE LOVE COALITION

## Statement of Activities

December 31, 2017 (Audited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 10,580,127	\$ 150,000	\$ 10,730,127
Gifts-in-kind	344,899	-	344,899
Merchandise sales	824,369	-	824,369
Investment income	48,840	-	48,840
Other revenue	36,974	-	36,974
Total Support and Revenue	<u>11,835,209</u>	<u>150,000</u>	<u>11,985,209</u>
<b>RECLASSIFICATIONS:</b>			
Net assets released from restrictions	<u>2,052,562</u>	<u>(2,052,562)</u>	<u>-</u>
<b>EXPENSES:</b>			
Program services	7,917,832	-	7,917,832
Supporting expenses:			
Management and general	867,521	-	867,521
Fund-raising	702,597	-	702,597
Total Expenses	<u>9,487,950</u>	<u>-</u>	<u>9,487,950</u>
Change in Net Assets	4,399,821	(1,902,562)	2,497,259
Net Assets, Beginning of Year	<u>7,359,107</u>	<u>2,052,562</u>	<u>9,411,669</u>
Net Assets, End of Year	<u>\$ 11,758,928</u>	<u>\$ 150,000</u>	<u>\$ 11,908,928</u>

See notes to financial statements

# PREEMPTIVE LOVE COALITION

## Statement of Activities

December 31, 2016 (Reviewed)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 7,045,532	\$ 2,674,162	\$ 9,719,694
Gifts-in-kind	33,120	-	33,120
Merchandise sales	312,464	-	312,464
Investment income	52	-	52
Interest income	87,890	-	87,890
Other revenue	73,605	-	73,605
Total Support and Revenue	<u>7,552,663</u>	<u>2,674,162</u>	<u>10,226,825</u>
<b>RECLASSIFICATIONS:</b>			
Net assets released from restrictions	<u>621,600</u>	<u>(621,600)</u>	<u>-</u>
<b>EXPENSES:</b>			
Program services	3,281,822	-	3,281,822
Supporting expenses:			
Management and general	301,239	-	301,239
Fund-raising	205,663	-	205,663
Total Expenses	<u>3,788,724</u>	<u>-</u>	<u>3,788,724</u>
Change in Net Assets	4,385,539	2,052,562	6,438,101
Net Assets, Beginning of Year	<u>2,973,568</u>	<u>-</u>	<u>2,973,568</u>
Net Assets, End of Year	<u>\$ 7,359,107</u>	<u>\$ 2,052,562</u>	<u>\$ 9,411,669</u>

See notes to financial statements

# PREEMPTIVE LOVE COALITION

## Statements of Cash Flows

	December 31,	
	2017 (Audited)	2016 (Reviewed)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,497,259	\$ 6,438,101
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,063	4,592
Noncash contributions of securities	(51,225)	-
Unrealized gain on investments	(31,408)	(52)
Interest and dividends	(17,432)	-
Proceeds from sales of noncash contributions	51,225	-
Change in operating assets and liabilities:		
Accounts receivable	13,560	(174,223)
Prepays and other assets	(102,706)	(14,461)
Accounts payable	(37,410)	164,169
Net Cash Provided by Operating Activities	2,332,926	6,418,126
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of securities	(6,045,120)	(3,200,000)
Purchases of equipment	(11,800)	(23,500)
Net Cash Used by Investing Activities	(6,056,920)	(3,223,500)
Net Change in Cash and Cash Equivalents	(3,723,994)	3,194,626
Cash and Cash Equivalents, Beginning of Year	6,010,746	2,816,120
Cash and Cash Equivalents, End of Year	\$ 2,286,752	\$ 6,010,746
<b>NONCASH INVESTING ACTIVITIES:</b>		
Donated inventory	\$ 291,924	\$ -
Other gifts-in-kind	\$ 1,750	\$ 33,120

See notes to financial statements



# PREEMPTIVE LOVE COALITION

## Notes to Financial Statements

December 31, 2017 and 2016

### 1. NATURE OF ORGANIZATION:

Preemptive Love Coalition (the Organization) is a Texas nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under section 509(a) of the Code.

The Organization is a global community of peacemakers providing emergency aid to families trapped on the front lines of conflict, small business grants to help those displaced by war to rebuild their lives, and medical care, including lifesaving heart surgeries for children.

In 2015, the Organization undertook an emergency response to serve families fleeing ISIS. By the middle of the year, it began winding down its response, having depleted its funds for such work. However, the Organization received a new wave of funding, allowing it to restart its aid work and hire additional staff to support its programming.

The Organization continued to grow through 2016 and 2017, and continued to scale its aid programming both in Iraq and Syria accordingly.

Support and revenue is primarily received from the general public, private foundations, corporations, and partner organizations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash held in bank checking and savings accounts. These accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

# PREEMPTIVE LOVE COALITION

## Notes to Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Other investments are reported at the lower of cost or fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as unrestricted investment income (loss) in the accompanying statements of activities unless a donor or law temporarily or permanently restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy.

The *Fair Value* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 inputs were not available. There were no changes in methods or assumptions from prior year.

At December 31, 2017, investments consisted of cash and cash equivalents (74.7% of portfolio as of December 31, 2017), equity funds (7.2% of portfolio as of December 31, 2017), bond funds (7.3% of portfolio as of December 31, 2017), and mutual funds (10.8% of portfolio as of December 31, 2017). Cash is stated at cost, which approximates fair value. All other investments are reported at fair value. The estimated fair value amount has been determined by the Organization using available market information and valuation methodologies. All investments are classified as Level 1 within the fair value hierarchy.

The fair value of mutual funds and bond funds are based on the net asset value (NAV) of the underlying investments in the fund. The fair value of stocks and equities are based on quoted market prices in an active market.

# PREEMPTIVE LOVE COALITION

## Notes to Financial Statements

December 31, 2017 and 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ACCOUNTS RECEIVABLE

In February 2015, the Organization entered in to an agreement with William Novick Global Cardiac Alliance (NCA). Under the terms of the agreement, the Organization shall provide up to \$500,000 in capital to identify, recruit, vet, and execute services with partners around the world toward the development of pediatric cardiac services. NCA agreed to pay the Organization eleven percent gross share of all contracts in which a non-charitable actor, its representatives or institutions, pay all or any portion of the total contracted fees. For the year ended December 31, 2017, the Organization disbursed \$34,710, recorded \$0 in interest income, and received repayments of \$39,000. For the year ended December 31, 2016, the Organization disbursed \$612,220, recorded \$87,890 in interest income, and received repayments of \$525,887. As of December 31, 2017 and 2016, the Organization's accounts receivable balance for NCA was \$278,984 and \$283,274, respectively. As of December 31, 2017 and 2016, management recorded an allowance for doubtful accounts of \$152,113 and \$0, respectively.

#### PROPERTY AND EQUIPMENT

Land, buildings, and equipment are stated at cost, or if donated, at fair value as of the date of the gift. Purchases or donations in excess of \$2,500 are capitalized with lesser amounts expensed. At December 31, 2017, the Organization owned three vehicles with a useful life of 4 years under straight-line depreciation.

#### CLASSES OF NET ASSETS

Net assets are classified in the financial statements as follows:

*Unrestricted net assets* are those currently available for operations under the direction of the board of directors and resources invested in property and equipment.

*Temporarily restricted net assets* are those which are stipulated by donors for specific operating purposes, including projects and support organizations, or acquisition of property and equipment.

#### SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization's policy is to record support and revenue restricted for specific purposes that were received and spent in the same year as unrestricted.

Donated goods are recorded at fair value at the date of the gift.

# PREEMPTIVE LOVE COALITION

## Notes to Financial Statements

December 31, 2017 and 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE, AND EXPENSES, continued

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long the long lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long lived assets are placed in service.

Other income is recorded when earned. Other income consists mainly of payments on a note previously expensed as bad debt and interest income.

Expenses are reported when costs are incurred. The cost of providing the various program services and supporting activities has been presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

### 3. INVESTMENTS:

Investments consist of:

	December 31,	
	2017	2016
	(Audited)	(Reviewed)
Cash and cash equivalents	\$ 6,946,971	\$ 3,200,052
Equities	665,942	-
Bonds	678,015	-
Mutual funds	1,003,084	-
	<u>\$ 9,294,012</u>	<u>\$ 3,200,052</u>

Investment income consists of:

	Year Ended December 31,	
	2017	2016
	(Audited)	(Reviewed)
Unrealized gain	\$ 31,408	\$ -
Interest and dividends—net of fees	17,432	52
	<u>\$ 48,840</u>	<u>\$ 52</u>

# PREEMPTIVE LOVE COALITION

## Notes to Financial Statements

December 31, 2017 and 2016

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2017 (Audited)	2016 (Reviewed)
Vehicles	\$ 56,300	\$ 44,500
Less accumulated depreciation	(19,855)	(8,792)
	\$ 36,445	\$ 35,708

5. NET ASSETS:

The following is a summary of the activity for temporarily restricted net assets for the years ended December 31, 2017 and 2016:

	1/1/2017 Balance	Contributions	Released from Restriction	12/31/2017 Balance
Aleppo Fund	\$ 2,052,562	\$ -	\$ (2,052,562)	\$ -
Operational Grant	-	150,000	-	150,000
	\$ 2,052,562	\$ 150,000	\$ (2,052,562)	\$ 150,000
	1/1/2016 Balance	Contributions	Released from Restriction	12/31/2016 Balance
Aleppo Fund	-	2,674,162	(621,600)	2,052,562
	\$ -	\$ 2,674,162	\$ (621,600)	\$ 2,052,562

5. RELATED PARTIES:

During the fiscal year ended December 31, 2016, a member of management joined the board of directors of a not-for-profit that incubates and launches woman-led businesses. This not-for-profit provides merchandise sold in the Organization’s online store. Merchandise is purchased at cost and branded for the Organization. During the fiscal years ended December 31, 2017 and 2016, the Organization purchased merchandise from the related party at the cost of \$49,676 and \$2,754, respectively. Additionally, during the year ended December 31, 2017, the Organization provided a \$150,000 grant to the related party.

# PREEMPTIVE LOVE COALITION

## Notes to Financial Statements

December 31, 2017 and 2016

6. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 1, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.