THE PREEMPTIVE LOVE COALITION

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

THE PREEMPTIVE LOVE COALITION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Preemptive Love Coalition
Hewitt, Texas

We have audited the accompanying financial statements of The Preemptive Love Coalition (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years 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.

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Board of Directors
The 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 The Preemptive Love Coalition as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
June 24, 2020

THE PREEMPTIVE LOVE COALITION

Statements of Financial Position

	December 31, 2019	December 31, 2018
ASSETS:		
Cash and cash equivalents	$ 2,964,076	$ 2,287,374
Inventory	268,444	196,307
Investments	9,703,405	9,162,869
Prepaid expenses and other assets	85,856	137,097
Property and equipment–net	132,906	114,385
Total Assets	$ 13,154,687	$ 11,898,032
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 524,123	$ 131,371
Notes payable	-	40,000
	524,123	171,371
Net assets:		
Without donor restrictions	12,565,460	11,643,769
With donor restrictions	65,104	82,892
	12,630,564	11,726,661
Total Liabilities and Net Assets	$ 13,154,687	$ 11,898,032

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 8,044,810	$ 780,009	$ 8,824,819
Merchandise sales	624,639	-	624,639
Investment income	980,513	-	980,513
Other revenue	98	-	98
Total Support and Revenue	9,650,060	780,009	10,430,069
RECLASSIFICATIONS:			
Net assets released from restrictions	797,797	(797,797)	-
EXPENSES:			
Program services	7,218,862	-	7,218,862
Supporting activities:			
Management and general	1,166,539	-	1,166,539
Fundraising	1,140,765	-	1,140,765
	2,307,304	-	2,307,304
Total Expenses	9,526,166	-	9,526,166
Change in Net Assets	921,691	(17,788)	903,903
Net Assets, Beginning of Year	11,643,769	82,892	11,726,661
Net Assets, End of Year	$ 12,565,460	$ 65,104	$ 12,630,564

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 9,450,116	$ -	$ 9,450,116
Merchandise sales	649,844	-	649,844
Investment loss	(131,143)	-	(131,143)
Other revenue	15,660	-	15,660
Total Support and Revenue	9,984,477	-	9,984,477
RECLASSIFICATIONS:			
Net assets released from restrictions	67,108	(67,108)	-
EXPENSES:			
Program services	8,174,238	-	8,174,238
Supporting activities:			
Management and general	1,087,744	-	1,087,744
Fundraising	904,762	-	904,762
	1,992,506	-	1,992,506
Total Expenses	10,166,744	-	10,166,744
Change in Net Assets	(115,159)	(67,108)	(182,267)
Net Assets, Beginning of Year	11,758,928	150,000	11,908,928
Net Assets, End of Year	$ 11,643,769	$ 82,892	$ 11,726,661

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Statements of Cash Flows

	Year Ended December 31, 2019	Year Ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 903,903	$ (182,267)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	71,555	27,454
Unrealized (gain) loss on investments	(761,656)	267,708
Interest and dividends reinvested	(218,857)	(136,565)
Change in operating assets and liabilities:		
Accounts receivable	-	126,871
Inventory	(72,137)	(126,034)
Prepaid expenses and other assets	51,241	91,346
Accounts payable	392,752	(2,497)
Net Cash Provided by Operating Activities	366,801	66,016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(60,023)	-
Purchases of property and equipment	(90,076)	(105,394)
Proceeds from sale of securities	500,000	-
Net Cash Provided (Used) by Investing Activities	349,901	(105,394)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(40,000)	-
Proceeds from issuance of note payable	-	40,000
Net Cash Provided (Used) by Financing Activities	(40,000)	40,000
Net Change in Cash and Cash Equivalents	676,702	622
Cash and Cash Equivalents, Beginning of Year	2,287,374	2,286,752
Cash and Cash Equivalents, End of Year	$ 2,964,076	$ 2,287,374
NONCASH INVESTING ACTIVITIES:		
Gifts-in-kind inventory	$ -	$ 1,875

See notes to financial statements

THE PREEMPTIVE LOVE COALITION

Notes to Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

The Preemptive Love Coalition (the Organization) is a Texas nonprofit corporation established in 2008. As a nonprofit corporation, the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). The Organization is classified as a publicly supported organization, which is not a private foundation as defined by Section 509(a) of the Code.

The Organization is a global community of peacemakers working to end war. The Organization accomplishes this mission through program services described below:

Relief- We help fast, to stop the spread of violence. We provide food so war-torn families can survive, mobile and community-based medical care to reach them where they are, and shelter to ensure their safety. When families have what they need to hold on and hold out, they can start the journey back to wholeness sooner.

Jobs- We give help that lasts, to reduce the risk of war. We equip the next generation with digital jobs that can withstand any upheaval. We help refugees launch businesses using skills they already have, so they can work where they are. When people have the jobs they need, the risk of violence fades.

Community- We help heal the past, to change the ideas that lead to war. We provide content to educate and activate aspiring peacemakers. Through small, neighborhood gatherings around the world, we create connection that can bridge every division. When we step across enemy lines and sit down together, we can stop the next war before it starts.

The primary sources of support and revenue for the Organization is received from the general public, private foundations, corporations, and partner organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

USE OF ESTIMATES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

For purposes of these statements, cash and cash equivalents includes cash on hand, checking, and savings accounts. While occasionally deposits may be in excess of federally insured limits, the Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2019 and 2018, the Organization's cash balances exceeded federally insured limits by $2,716,240 and $2,037,374, respectively.

INVENTORY

Inventory is valued at the lower of cost (using on the average cost method) or net realizable value. Management evaluates an allowance for obsolescence by reviewing product sales history and current market performance. As of December 31, 2019 and 2018, management has determined that an allowance is not necessary and accordingly no such allowance has been recorded.

INVESTMENTS

Investments in marketable equity securities with readily determinable fair values and all debt securities are recorded at fair value based on the last reported sales price on the valuation date. Other investments are reported at cost. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Interest and dividend income and the realized and unrealized gins and losses on marketable securities are included in investment income (loss) in the accompanying statements of activities.

PROPERTY AND EQUIPMENT–NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from one to seven years. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset value or extend useful lives are capitalized. Acquisitions of property and equipment in excess of $2,500 that meet the capitalization requirements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statements of activities.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for use in operations or designated by the board for specific use. Equity in property and equipment represents amounts invested in property and equipment net of accumulated depreciation. The Organization's board designated net assets represent amounts not to be used for daily operations and held for emergency purposes only.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

Net assets with donor restrictions are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Merchandise sales are recognized when goods are shipped to customers. All other non-contribution revenues are recognized when earned and contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give–that is, those with a measurable performance or other barrier and a right of return–are not recognized until the conditions on which they depend have been met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications. Contributions with donor restrictions which have been fully expended for their intended purposes within the reporting period are reported as contributions without donor restrictions.

The Organization reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those 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.

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

Expenses are recorded when costs are incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARD

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The Organization adopted the provisions of this new standard during the year ended December 31, 2019. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of this standard had no effect on change in net assets or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities to accomplish its mission, as well as the conduct of services undertaken to support those activities to be general expenditures.

	December 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	$ 2,964,076	$ 2,287,374
Investments	9,703,405	9,162,869
Financial assets, at year-end	12,667,481	11,450,243
Less those unavailable for general expenditure within one year, due to:		
Board designated reserves	(750,000)	(750,000)
Financial assets available to meet cash needs for general expenditures within one year	$11,917,481	$10,700,243

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Board designated reserves can be released upon resolution of the board and used for general expenditures. At December 31, 2019, the Organization has $74,118 available in net assets with donor restrictions for specific project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

4. INVESTMENTS:

Investments consist of:

	December 31, 2019	December 31, 2018
Held at cost:		
Cash and cash equivalents	$ 74,805	$ 692,358
Held at fair value:		
Preferred stock	32,527	-
Mutual funds	3,495,014	3,087,245
Fixed income	3,313,209	3,492,995
Exchange-traded funds	2,787,850	1,890,271
	9,628,600	8,470,511
	$ 9,703,405	$ 9,162,869

Investment income (loss) consists of:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Realized/unrealized gain (loss)	$ 761,656	$ (267,708)
Interest and dividends–net of fees	218,857	136,565
	$ 980,513	$ (131,143)

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31, 2019	December 31, 2018
Leasehold improvements	$ 19,787	$ 19,787
Equipment	139,082	68,007
Vehicles	92,900	73,900
	251,769	161,694
Less accumulated depreciation	(118,863)	(47,309)
	$ 132,906	$ 114,385

6. NET ASSETS WITH DONOR RESTRICTIONS:

The following is a summary of the activity for net assets with donor restrictions for the years ended December 31, 2019 and 2018:

	1/1/2019 Balance	Contributions	Released from Restrictions	12/31/2019 Balance
Empowerment Grant	$ 82,892	$ 780,009	$ (797,797)	$ 65,104

	1/1/2018 Balance	Contributions	Released from Restrictions	12/31/2018 Balance
Empowerment Grant	$ 150,000	$ -	$ (67,108)	$ 82,892

7. FAIR VALUE MEASUREMENTS:

The Fair Value Measurements and Disclosure topic of the 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 are not available.

7. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Fair Value Measurements at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Preferred stock	$ 32,527	$ -	$ -	$ 32,527
Mutual funds	3,495,014	-	-	3,495,014
Fixed income	3,313,209	-	-	3,313,209
Exchange-traded funds	2,787,850	-	-	2,787,850
Total investments, at fair value	$ 9,628,600	$ -	$ -	$ 9,628,600

	Fair Value Measurements at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual funds	$ 3,087,245	$ -	$ -	$ 3,087,245
Fixed income	1,799,853	1,693,142	-	3,492,995
Exchange traded funds	1,890,271	-	-	1,890,271
Total investments, at fair value	$ 6,777,369	$ 1,693,142	$ -	$ 8,470,511

Methods and assumptions used by the Organization in estimating fair values are as follows:

Valuation techniques: Fair values for mutual funds, stocks, certain corporate debt securities, municipal bonds, U.S. government obligations, and exchanged traded funds are based on quoted market prices or dealer quotes.

Changes in valuation techniques: None.

8. EXPENSES BY BOTH NATURE AND FUNCTION:

The statements of activities report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related benefits are allocated based on employee time and effort. All other categories were allocated based on programmatic purpose and time spent by the employees directly affected by the expense.

Functional expenses by natural classification as of December 31, 2019:

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Grants to partners	$ 2,498,182	$ -	$ -	$ -	$ 2,498,182
Salaries and related benefits	2,419,954	669,161	669,099	1,338,260	3,758,214
Office, supplies, and other	1,358,375	117,161	354,447	471,608	1,829,983
Professional fees and services	222,646	337,318	117,219	454,537	677,183
Cost of goods sold	386,090	42,899	-	42,899	428,989
Empowerment, relief, and jobs	333,615	-	-	-	333,615
	$ 7,218,862	$ 1,166,539	$ 1,140,765	$ 2,307,304	$ 9,526,166

Functional expenses by natural classification as of December 31, 2018:

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Grants to partners	$ 5,889,149	$ -	$ -	$ -	$ 5,889,149
Salaries and related benefits	1,134,721	591,395	590,946	1,182,341	2,317,062
Office, supplies, and other	768,268	192,892	251,091	443,983	1,212,251
Professional fees and services	86,597	270,623	62,725	333,348	419,945
Cost of goods sold	295,503	32,834	-	32,834	328,337
	$ 8,174,238	$ 1,087,744	$ 904,762	$ 1,992,506	$ 10,166,744

9. RELATED PARTY TRANSACTIONS:

A member of management sat on the board of directors of a not-for-profit that incubates and launches woman-led businesses. This not-for-profit provided merchandise sold in the Organization's online store. Merchandise was purchased at cost and branded for the Organization. During the year ended December 31 2018, the Organization purchased merchandise from the related party at the cost of $31,177. During the year ended December 31, 2019, the member of management no longer sat on the board of this not-for-profit.

As of December 31, 2018, the Organization maintained a non-interest bearing note due to a member of management in the amount of $40,000. The note was due on demand. This note was paid in full during the year ended December 31, 2019.

10. DONOR CONCENTRATION:

During the years ended December 31, 2019 and 2018, the Organization received 15% and 7%, respectively, of total contribution support from two donors and one donor, respectively. The Organization's operations and program services could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

11. SUBSEQUENT EVENTS:

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting revenue and operations across a range of industries. The extent of the impact of COVID-19 on the operational and financial performance of the Organization will depend on certain developments, including the duration and spread of the outbreak and impact on donors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact financial condition or results of operations of the Organization is uncertain. As part of the response to the impact of COVID-19, the Organization applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. The Organization was approved for a loan in the amount of approximately $500,000. Based on the provisions included in the CARES Act, the Organization anticipates that this amount will be fully forgiven during the year ending December 31, 2020.

In March 2020, the Organization purchased a building for approximately $400,000 in Clarkston, GA to be used as a warehouse for inventory storage. The Organization previously leased the building space and executed a purchase option at the end of the lease term.

Subsequent events have been evaluated through June 24, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.