

**POWERED BY ACTION**  
**CHICAGO, ILLINOIS**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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KOLNICKI



PETERSON



WIRTH

To the Board of Directors of  
Powered By Action  
Chicago, Illinois

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Powered By Action (a non-profit 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, functional expenses 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.

### Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

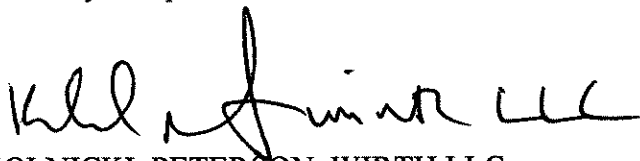
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Powered By Action as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Kolnicki, Peterson, Wirth LLC". The signature is stylized and cursive.

KOLNICKI, PETERSON, WIRTH LLC  
Certified Public Accountants

Downers Grove, Illinois  
September 3, 2019

**POWERED BY ACTION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

Statement 1

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 37,657	\$ 101,013
Investments	21,011	13,166
License fees receivable	54,321	-
Other assets	32	32
	<u>113,021</u>	<u>114,211</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computer equipment	20,986	20,986
Furniture and office equipment	5,889	4,692
	<u>26,875</u>	<u>25,678</u>
Total, at cost	26,875	25,678
Less accumulated depreciation	<u>(20,123)</u>	<u>(15,097)</u>
	<u>6,752</u>	<u>10,581</u>
Net property and equipment	6,752	10,581
	<u>\$ 119,773</u>	<u>\$ 124,792</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,500	\$ 6,975
Other liabilities	1,639	1,364
	<u>11,139</u>	<u>8,339</u>
Total current liabilities	11,139	8,339
<b>NET ASSETS</b>		
Without donor restrictions	<u>108,634</u>	<u>116,453</u>
Total net assets	<u>108,634</u>	<u>116,453</u>
Total liabilities and net assets	<u>\$ 119,773</u>	<u>\$ 124,792</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

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

	2018	2017
<b>REVENUES</b>		
Contributions	\$ 207,394	\$ 168,894
In-kind donations	494,520	412,010
License fees	67,531	44,170
Investment income (loss)	(2,412)	2,070
	767,033	627,144
<b>EXPENSES</b>		
Program services	737,675	539,128
Management and general	31,893	35,480
Fundraising	5,284	1,290
	774,852	575,898
Increase (decrease) in net assets	(7,819)	51,246
Net assets at beginning of year	116,453	65,207
Net assets at end of year	\$ 108,634	\$ 116,453

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**POWERED BY ACTION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fund-raising	Total
<b>OPERATING EXPENSES</b>				
Accounting	\$ 4,665	\$ 2,721	\$ 389	\$ 7,775
Bank and credit card fees	477	-	-	477
Conferences	-	2,051	4,168	6,219
Depreciation	3,016	1,508	502	5,026
Insurance	-	10,278	-	10,278
License fees	494,520	-	-	494,520
Marketing	675	-	-	675
Membership and dues	290	-	-	290
Office expense	3,873	405	225	4,503
Occupancy	53,010	3,990	-	57,000
Professional fees	1,645	1,645	-	3,290
Payroll processing	-	2,770	-	2,770
Payroll taxes	12,593	525	-	13,118
Salaries	146,292	6,000	-	152,292
Subcontractor	13,744	-	-	13,744
Travel and meetings	2,875	-	-	2,875
<b>Total operating expenses</b>	<b>\$ 737,675</b>	<b>\$ 31,893</b>	<b>\$ 5,284</b>	<b>\$ 774,852</b>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**POWERED BY ACTION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fund-raising	Total
<b>OPERATING EXPENSES</b>				
Accounting	\$ 8,236	\$ 4,804	\$ 687	\$ 13,727
Bank and credit card fees	789	8	-	797
Conferences	3,140	-	-	3,140
Depreciation	2,920	1,460	486	4,866
Insurance	-	5,425	-	5,425
License fees	384,360	-	-	384,360
Office expense	2,011	209	117	2,337
Occupancy	26,964	2,125	-	29,089
Professional fees	13,185	13,184	-	26,369
Payroll processing	-	1,535	-	1,535
Payroll taxes	8,007	603	-	8,610
Salaries	81,398	6,127	-	87,525
Subcontractor	6,500	-	-	6,500
Travel and meetings	1,618	-	-	1,618
<b>Total operating expenses</b>	<b>\$ 539,128</b>	<b>\$ 35,480</b>	<b>\$ 1,290</b>	<b>\$ 575,898</b>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**POWERED BY ACTION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (7,819)	\$ 51,246
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	5,026	4,866
Donation of investment	(10,510)	(11,183)
Unrealized gain (loss) on investment	2,665	(1,983)
Changes in operating assets and liabilities:		
Increase in fees receivable	(54,321)	-
Increase in other assets	-	(32)
Increase in accounts payable	2,525	6,975
Increase in accrued expenses	275	1,364
	<u>(62,159)</u>	<u>51,253</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(1,197)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,197)</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(63,356)	51,253
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>101,013</u>	<u>49,760</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 37,657</u>	<u>\$ 101,013</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**POWERED BY ACTION  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
DECEMBER 31, 2018 AND 2017**

**NATURE OF OPERATIONS**

Powered By Action (the Organization) is a not-for-profit organization incorporated under the laws of Illinois in 2008, and established exclusively for charitable purposes. The Organization offers the non-faith based not-for-profit sector a collaborative software solution and related consulting and change management services needed to enhance the delivery of services to the people they serve. Powered By Action amplifies the efforts of those trying to change the world by connecting people anywhere as though they were in the same room.

**ACCOUNTING METHOD**

Contribution revenue is recognized when the Organization is notified of the existence of a pledge or receives a contribution. The contributions are recognized as income in the period to which they relate. Expenses are recognized in the period in which the related liability is incurred.

**CASH AND CASH EQUIVALENTS**

The Organization considers all liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

**PLEDGES RECEIVABLE**

Pledges receivable are presented at the fair value of the promises and are estimated by management to be fully collectable.

**IN-KIND DONATIONS**

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2018 and 2017, the Organization received in-kind donations of legal services totaling \$0 and \$17,954, respectively.

Donations of license fees are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases to unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire license fees are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. In-kind donations of license fees from a related party totaled \$494,520 and \$384,360 for the years ended December 31, 2018 and 2017, respectively.

In the year ended December 31, 2017, an officer of the Organization paid for office space and related costs for the Organization. The Organization recognized the contribution at its fair value, which is determined by the average market rate per square foot and other related costs charged to other tenants. The amount recognized was \$9,696.

**POWERED BY ACTION  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
DECEMBER 31, 2018 AND 2017**

**EXPENSE ALLOCATION**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets, and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**INCOME TAXES**

The Internal Revenue Service has ruled that the Organization is exempt from the payment of federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code as an educational and charitable organization.

The Financial Accounting Standards Board (FASB) issued ASC 740-10-05 “Accounting for Uncertainty in Income Taxes” that clarified the accounting and recognition for income tax positions taken or expected to be taken in the Organization’s income tax returns. The Organization adopted the standard in 2016.

The Organization’s income tax filings are subject to audit by various taxing authorities. The Organization’s open audit periods are 2015 through 2017. In evaluating the Organization’s tax provisions and accruals, future taxable income and the reversal of temporary differences, interpretations of tax planning strategies are considered. The Organization believes their estimates are based on current facts and circumstances.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost or at estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and office equipment	5 years
Computer equipment	5 years

**POWERED BY ACTION**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**DECEMBER 31, 2018 AND 2017**

**INVESTMENTS**

The Organization is required to provide additional information in the financial statement, based on the implementation of the FASB Accounting Standards Codification FASB (ASC) No. 820-10-35-1, *Fair Value Measurements and Disclosures*. This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurement.

**LICENSE FEES RECEIVABLE**

License fees receivable represent amounts that have been billed under contracts but not collected as of the date of the financial statements. License fees receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2018, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through the date of this report and the date the financial statements were available to be issued was August 28, 2019.

**NEW ACCOUNTING PRONOUNCEMENTS**

In August 2016, the Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirements to prepare a reconciliation in the statement of cash flows when applying for direct method. ASU 2016-14 is effective for fiscal years beginning after December 31, 2017, with early application permitted.

The accounting and disclosures in these financial statements and notes follow the applicable portions of ASU 2016-14.

This information is an integral part  
of the accompanying financial statements.

**POWERED BY ACTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017, the Organization had no uninsured balances.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

The Organization received an in-kind donation of license fees from a related company. The company is owned by an officer of the Organization. At December 31, 2018 and 2017 the donations totaled \$494,520 and \$384,360, respectively.

In the year ended December 31, 2017, the Organization received in-kind donations of occupancy and other costs paid for by an officer of the Organization. The donation totaled \$9,696.

**NOTE 3 - LEASE AGREEMENTS**

The Organization leases its current office space on a month-to-month basis at \$4,750 per month. Rent expense totaled \$57,000 and \$19,393 for the years ended December 31, 2018 and 2017.

**NOTE 4 – INVESTMENTS**

Investments consist of the following:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common stock	\$ 23,676	\$ 21,011	\$ 11,183	\$ 13,166
Total	<u>\$ 23,676</u>	<u>\$ 21,011</u>	<u>\$ 11,183</u>	<u>\$ 13,166</u>

The following schedule summarizes the investment return and its classification in the statement of financial position and activities for the year ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividend and interest	\$ 253	\$ 119
Unrealized gain	<u>(2,665)</u>	<u>1,983</u>
Total return on investments	<u>\$ (2,412)</u>	<u>\$ 2,102</u>

**POWERED BY ACTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The Organization's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB (ASC) No. 820-10-35-1. See Note 4 – Investments for additional information on the Organization's investment policies.

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Balance as of <u>December 31, 2018</u>
<b>Assets</b>		
Investments in mutual funds, at fair value	\$ <u>21,011</u>	\$ <u>21,011</u>
	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Balance as of <u>December 31, 2017</u>
<b>Assets</b>		
Investments in mutual funds, at fair value	\$ <u>13,166</u>	\$ <u>13,166</u>

FASB Accounting Standards Codification (ASC) No. 820-10-35-1: Fair Value Measurement and Disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three board levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest 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 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed on market data. Level 2 inputs were only used when Level 1 inputs were not available.

**NOTE 6 – CASH FLOW INFORMATION**

The Organization paid no cash for interest or income taxes during 2018 and 2017.