CHIVE CHARITIES

Financial Statements as of and for the Year Ended December 31, 2018 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

CHIVE CHARITIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chive Charities:

We have audited the accompanying financial statements of Chive Charities (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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 audit. We conducted our audit 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.

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Maxwell Locke & Ritter LLP

Austin, Texas
August 8, 2019

CHIVE CHARITIES

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	72,360
Pledges receivable		2,500
Prepaid expenses and other assets		19,787
Total current assets		94,647
FIXED ASSETS, net		164,381
TOTAL ASSETS	$	259,028
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$	5,663
Accrued expenses		46,125
Total liabilities		51,788
NET ASSETS:		
Without donor restrictions		204,740
With donor restrictions		2,500
Total net assets		207,240
TOTAL LIABILITIES AND NET ASSETS	$	259,028

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Membership dues	$ 1,426,303	-	1,426,303
Contributions	595,706	2,500	598,206
Special events	166,588	-	166,588
Costs of direct benefits to donors	(63,529)	-	(63,529)
Donated services	115,369	-	115,369
Net assets released from restrictions	20,050	(20,050)	-
Total revenues and net assets released from restrictions	2,260,487	(17,550)	2,242,937
EXPENSES:			
Program services:			
Medical and disability assistance	1,236,244	-	1,236,244
Veteran assistance	279,405	-	279,405
First responder and disaster relief	111,648	-	111,648
Special education initiatives	30,657	-	30,657
Total program services	1,657,954	-	1,657,954
Supporting services:			
Fundraising	288,328	-	288,328
Management and general	216,235	-	216,235
Total supporting services	504,563	-	504,563
Total expenses	2,162,517	-	2,162,517
CHANGE IN NET ASSETS	97,970	(17,550)	80,420
NET ASSETS, beginning of year	106,770	20,050	126,820
NET ASSETS, end of year	$ 204,740	2,500	207,240

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Medical and Disability Assistance	Veteran Assistance	First Responder and Disaster Relief	Special Education Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services	2018 Total
Financial and material assistance grants	$ 1,036,695	226,500	92,502	19,500	1,375,197	-	-	-	1,375,197
Salaries and wages	148,690	40,494	15,158	8,514	212,856	125,271	101,613	226,884	439,740
Service fees	-	-	-	-	-	-	68,028	68,028	68,028
Depreciation	13,115	3,560	1,312	749	18,736	27,102	18,721	45,823	64,559
Rent and occupancy	5,418	1,354	293	294	7,359	51,372	2,884	54,256	61,615
Employee benefits	13,232	3,592	1,323	756	18,903	15,759	12,017	27,776	46,679
Program and office supplies	5,793	1,344	252	299	7,688	29,998	7,596	37,594	45,282
Travel	4,454	291	107	61	4,913	29,375	1,160	30,535	35,448
Website and hosting	8,647	2,270	701	484	12,102	4,177	3,499	7,676	19,778
Marketing and advertising	-	-	-	-	-	5,074	30	5,104	5,104
Professional services	200	-	-	-	200	200	687	887	1,087
Total expenses before costs of direct benefits to donors	1,236,244	279,405	111,648	30,657	1,657,954	288,328	216,235	504,563	2,162,517
Costs of direct benefits to donors	-	-	-	-	-	-	-	-	63,529
Total expenses	$ 1,236,244	279,405	111,648	30,657	1,657,954	288,328	216,235	504,563	2,226,046

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 80,420
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	64,559
Donated services	(115,369)
Changes in assets and liabilities that provided (used) cash:	
Pledges receivable	17,550
Prepaid expenses and other assets	(2,152)
Accounts payable	(8,509)
Financial and material assistance grants payable	(69,702)
Accrued expenses	19,136
Net cash used in operating activities	(14,067)
CASH FLOWS FROM INVESTING ACTIVITIES -	
Purchases of fixed assets	(6,358)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,425)
CASH AND CASH EQUIVALENTS, beginning of year	92,785
CASH AND CASH EQUIVALENTS, end of year	$ 72,360

See notes to financial statements.

1. ORGANIZATION

Founded in 2012, Chive Charities (the “Organization”) is a nonprofit organization which inspires the CHIVE’s online community to champion orphaned causes in need of public awareness and financial assistance. The Organization is changing the charitable-giving paradigm. Rather than using the cause to raise awareness for the recipient, the Organization helps the recipient raise awareness for the cause. The Organization focuses on such causes as individuals with rare medical conditions, disabled veterans and first responders in need of quality of life enhancements, underfunded special needs education initiatives, and organizations that provide emergency assistance and disaster relief.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Classification of Net Assets - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Without Donor Restrictions **-** These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Assets and liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Organization, or at the discretion of the Board of Directors (the “Board”) for the Organization’s use.
>
> With Donor Restrictions **-** These net assets are subject to donor-imposed stipulations which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. The Organization has not received any permanently restricted contributions. Net assets with donor restrictions of $2,500 were restricted for time as of December 31, 2018.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach **-** uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Pledges Receivable - All unconditional promises to give are recorded at their fair value and are to be considered available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. All pledges were due for collection within one year as of December 31, 2018. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization adjusts any allowance for subsequent collections or upon final determination that an account is no longer collectible. No allowance for uncollectible pledges receivable has been recorded as, historically, the Organization has not experienced significant uncollectible amounts.

Concentration of Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist of cash and cash equivalents and pledges receivable. The Organization places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. The Organization does not maintain collateral for its pledges receivable.

Fixed Assets - Fixed assets valued at $1,000 or more are recorded at cost on the date of acquisition or at fair value on the date of donation. The Organization calculates depreciation using the straight-line method based on the estimated useful lives of the respective assets, which is three years for computers and software and seven years for furniture and fixtures.

The Organization capitalizes direct and certain indirect costs of developing website for internal use during the development period, which is treated as construction in progress and depreciation commences in the year the website goes live.

The Organization reports gifts of fixed assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Membership Dues and Contribution Revenue - The Organization considers membership dues to be contributions. Contributions are recorded as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets with donor restrictions are reclassified to net assets without donor restrictions. This is reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received.

Special events - The Organization organizes fundraising events and the related contribution and sponsorship revenue is recognized when the event takes place. Costs of direct benefits to donors are recorded in the fiscal year in which the events are held. The costs primarily consist of food and beverage and facilities costs.

Donated Services - Contributed services are reflected in the financial statements at the fair value of the services rendered if the services received (a) create or enhance non-financial assets and (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization received the benefit of donated time and services for development of software. The value of this contributed time is reflected in the accompanying statement of activities at fair value as it meets the above criteria.

Functional Allocation of Expenses - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques, such as time and effort.

Federal Income Taxes - The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except as it relates to certain unrelated business income. The Organization did not incur any significant tax liabilities due to unrelated business income during the year ended December 31, 2018. The Organization files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Recently Adopted Accounting Pronouncement - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designed amounts, and expense by both their natural and functional classification. The standard is effective for fiscal years beginning after December 15, 2017. During the year ended December 31, 2018, management implemented the new standard, the effect of which is reflected in the financial statements and within the footnotes.

As of December 31, 2017, reclassifications driven by the adoption of ASU 2016-14 consisted of amounts previously reported as unrestricted and temporarily restricted net assets now presented as net assets without and with donor restrictions, respectively.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued ASU No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of December 31, 2018, the Organization's financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	$	72,360
Pledges receivable		2,500
Total financial assets available to management for general expenditure within one year	$	74,860

The Board ensures the Organization's financial stability by approving an annual budget prior to the start of each fiscal year. Any expenditures not in the approved budget must be approved. The Organization maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Organization.

4. FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2018:

Computers and software	$	193,305
Furniture and fixtures		2,043
Total		195,348
Less accumulated depreciation		(146,336)
Construction in progress		115,369
Total fixed assets, net	$	164,381

5. DEFINED CONTRIBUTION 401(k) PLAN

The Organization participates in a 401(k) Plan (the "Plan"). The Plan is available to all employees over the age of 21 who have provided at least six months of service to the Organization. Eligible employees can contribute to the Plan up to the maximum amount allowed by the Internal Revenue Service. The Organization made matching contributions equal to 100% of the first 3% and 50% of the next 2% of the participants' contributions to the Plan. The Organization's contributions to the Plan totaled $7,170 during the year ended December 31, 2018.

6. COMMITMENTS AND CONTINGENCIES

The Organization leases office space from a related party under a noncancellable operating lease. Rental expense totaled $11,000 during the year ended December 31, 2018. Future minimum lease payments due under this lease as of December 31, 2018 were as follows.

2019	$	9,984
2020		1,731
Total	$	11,715

7. OTHER RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, members of the Board contributed $7,434 to the Organization.

8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 8, 2019 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through the date that would impact the financial statements.