

THE MANKIND PROJECT USA

Financial Statements
with Report of Independent Auditors
Years ended December 31, 2019 and 2018

Traveller &

Company, LLC
Certified Public Accountants
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The ManKind Project USA

Financial Statements

December 31, 2019 and 2018

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Report of Independent Auditors

The Board of Directors of
The ManKind Project USA
Glendale, California

We have audited the accompanying financial statements of The ManKind Project USA (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and 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 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 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 The ManKind Project USA as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended 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 ManKind Project USA adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Traveller & Company, LLC

September 21, 2020

The ManKind Project USA
Statements of Financial Position
December 31, 2019 and 2018

| Assets: | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,111,924 | \$ 974,832 |
| Accounts receivable, net of allowance of \$21,020 and \$21,048 in 2019 and 2018, respectively | 12,320 | 35,856 |
| Prepaid expenses | <u>78,015</u> | <u>51,894</u> |
| Total current assets | 1,202,259 | 1,062,582 |
| Property and equipment, net | <u>2,677</u> | — |
| Total assets | <u>\$ 1,204,936</u> | <u>\$ 1,062,582</u> |
| Liabilities: | | |
| Accounts payable and accruals | \$ 17,392 | \$ 62,859 |
| Deferred revenue | <u>188,346</u> | <u>171,459</u> |
| Total liabilities | 205,738 | 234,318 |
| Net Assets: | | |
| Unrestricted | 454,181 | 423,423 |
| Temporarily restricted | <u>545,017</u> | <u>404,841</u> |
| Total net assets | <u>999,198</u> | <u>828,264</u> |
| Total liabilities and net assets | <u>\$ 1,204,936</u> | <u>\$ 1,062,582</u> |

See accompanying notes to financial statements.

The ManKind Project USA
Statements of Activities
For the years ended December 31, 2019 and 2018

| | 2019 | | | 2018 | | |
|---------------------------------------|----------------------------|-------------------------|------------|----------------------------|-------------------------|------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenue | | | | | | |
| Contributions | \$ 514,183 | \$ 324,032 | \$ 838,215 | \$ 536,387 | \$ 209,584 | \$ 745,973 |
| Contributions from unifying centers | — | — | — | 17,666 | — | 17,666 |
| Total contributions | 514,183 | 324,032 | 838,215 | 554,053 | 209,584 | 763,637 |
| Program revenue | | | | | | |
| Support fee income | 455,150 | — | 455,150 | 426,265 | — | 426,265 |
| Training and other project fees | 1,807,402 | — | 1,807,402 | 1,665,326 | — | 1,665,326 |
| Events registration | 24,736 | — | 24,736 | 34,382 | — | 34,382 |
| Total program revenue | 2,287,288 | — | 2,287,288 | 2,125,973 | — | 2,125,973 |
| Other revenue | 12,244 | — | 12,244 | 8,383 | — | 8,383 |
| Net assets released from restrictions | 183,856 | (183,856) | — | 155,871 | (155,871) | — |
| Total revenues | 2,997,571 | 140,176 | 3,137,747 | 2,844,280 | 53,713 | 2,897,993 |
| Functional expense: | | | | | | |
| Program services | 2,221,161 | — | 2,221,161 | 2,070,826 | — | 2,070,826 |
| Management and general | 623,714 | — | 623,714 | 579,747 | — | 579,747 |
| Fundraising | 121,938 | — | 121,938 | 204,418 | — | 204,418 |
| Total functional expenses | 2,966,813 | — | 2,966,813 | 2,854,991 | — | 2,854,991 |
| Changes in net assets | 30,758 | 140,176 | 170,934 | (10,711) | 53,713 | 43,002 |
| Net assets - beginning of year | 423,423 | 404,841 | 828,264 | 434,134 | 351,128 | 785,262 |
| Net assets - end of year | \$ 454,181 | \$ 545,017 | \$ 999,198 | \$ 423,423 | \$ 404,841 | \$ 828,264 |

See accompanying notes to financial statements. .

The ManKind Project USA
Statement of Functional Expenses
For the year ended December 31, 2019

| | <u>Program Services Expenses</u> | | | Management and General | Fundraising | Total Expenses |
|---------------------------|----------------------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| | Training | Societies | Total | | | |
| Awards | \$ — | \$ — | \$ — | \$ 600 | \$ — | \$ 600 |
| Bad debt | 28,505 | — | 28,505 | — | — | 28,505 |
| Bank charges | 15,395 | 1,063 | 16,458 | 44,055 | 2,605 | 63,118 |
| Conferences and meetings | 1,363,803 | 47,852 | 1,411,655 | — | — | 1,411,655 |
| Corporate registrations | — | — | — | 11,890 | — | 11,890 |
| Depreciation | — | — | — | 157 | — | 157 |
| Donor relations | — | — | — | — | 10,029 | 10,029 |
| Insurance | 359 | — | 359 | 96,184 | — | 96,543 |
| Marketing | 18,169 | 662 | 18,831 | 11,710 | — | 30,541 |
| Payroll taxes | 1,114 | — | 1,114 | 36,812 | — | 37,926 |
| Professional fees | 220,881 | 36,154 | 257,035 | 85,971 | 107,274 | 450,280 |
| Royalties/license fees | 7,637 | — | 7,637 | — | — | 7,637 |
| Salaries | 119,666 | — | 119,666 | 300,308 | — | 419,974 |
| Supplies | 169,275 | 3,019 | 172,294 | 2,346 | — | 174,640 |
| Travel | 152,703 | 29,180 | 181,883 | 4,862 | 2,030 | 188,775 |
| Utilities | 5,724 | — | 5,724 | — | — | 5,724 |
| Website | — | — | — | 28,819 | — | 28,819 |
| Total functional expenses | <u>\$ 2,103,230</u> | <u>\$ 117,931</u> | <u>\$ 2,221,161</u> | <u>\$ 623,714</u> | <u>\$ 121,938</u> | <u>\$ 2,966,813</u> |

See accompanying notes to financial statements.

The ManKind Project USA
Statement of Functional Expenses
For the year ended December 31, 2018

| | <u>Program Services Expenses</u> | | | Management and General | Fundraising | Total Expenses |
|---------------------------|----------------------------------|------------------|---------------------|---------------------------|-------------------|---------------------|
| | Training | Societies | Total | | | |
| Awards | \$ 300 | \$ — | \$ 300 | \$ — | \$ — | \$ 300 |
| Bad debt | 61,536 | — | 61,536 | — | — | 61,536 |
| Bank charges | 36,711 | 2,536 | 39,247 | 2,940 | 21,173 | 63,360 |
| Conferences and meetings | 1,290,714 | 45,288 | 1,336,002 | 2,000 | — | 1,338,002 |
| Corporate registrations | — | — | — | 23,211 | 21,725 | 44,936 |
| Donor relations | — | — | — | — | 7,850 | 7,850 |
| Insurance | 49,435 | — | 49,435 | 37,083 | — | 86,518 |
| Marketing | 17,115 | 624 | 17,739 | 8,409 | — | 26,148 |
| Payroll taxes | 1,114 | — | 1,114 | 54,190 | — | 55,304 |
| Professional fees | 119,134 | 19,500 | 138,634 | 112,016 | 84,215 | 334,865 |
| Royalties/license fees | 8,133 | — | 8,133 | — | — | 8,133 |
| Salaries | 86,132 | — | 86,132 | 313,966 | 58,974 | 459,072 |
| Supplies | 142,429 | 2,540 | 144,969 | 3,210 | — | 148,179 |
| Travel | 143,587 | 27,438 | 171,025 | 12,241 | — | 183,266 |
| Utilities | 6,079 | — | 6,079 | — | — | 6,079 |
| Website | 10,481 | — | 10,481 | 10,481 | 10,481 | 31,443 |
| Total functional expenses | <u>\$ 1,972,900</u> | <u>\$ 97,926</u> | <u>\$ 2,070,826</u> | <u>\$ 579,747</u> | <u>\$ 204,418</u> | <u>\$ 2,854,991</u> |

See accompanying notes to financial statements.

The ManKind Project USA
Statements of Cash Flows
December 31, 2019 and 2018

| Operating activities: | <u>2019</u> | <u>2018</u> |
|--|---------------------|-------------------|
| Changes in net assets | \$ 170,934 | \$ 43,002 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Allowance for doubtful accounts | (28) | 5,317 |
| Depreciation and amortization | 157 | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | 23,564 | 53,117 |
| Prepaid expenses | (26,121) | (28,758) |
| Accounts payable | (45,467) | (5,399) |
| Deferred revenue | 16,887 | 49,732 |
| | <u>139,926</u> | <u>117,011</u> |
| Net cash provided by operating activities | | |
| Investing activities: | | |
| Purchases of fixed assets | (2,834) | — |
| Net increase in cash and cash equivalents | 137,092 | 117,011 |
| Cash and cash equivalents at beginning of year | 974,832 | 857,821 |
| Cash and cash equivalents at end of year | <u>\$ 1,111,924</u> | <u>\$ 974,832</u> |

See accompanying notes to financial statements.

The ManKind Project USA
Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Activities

The ManKind Project USA (the “Organization”) is an Illinois nonprofit corporation which provides education and training for men, to create a safer world by creating better men. The Organization serves as the umbrella organization for twenty-four U.S.-based local chapters.

2. Significant Accounting Policies

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Management has completed its evaluation of the impact of adopting this standard on its financial statements and internal revenue recognition policies and does not believe this standard has a significant impact on its revenue recognition policy.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet for all leases with lease terms greater than 12 months. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, and early adoption is permitted. Accordingly, ASU 2016-02 is effective for the Organization’s year ending December 31, 2021 using a modified retrospective approach. Management is determining the impact of ASU 2016-02 at this time.

Basis of Presentation

The accounting policies of the Organization conform to U.S. generally accepted accounting principles. The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958*, “Financial Statements of Not-For-Profit Organizations”. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The ManKind Project USA

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Net Assets

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

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 restrictions imposed by donors and/or grantors. There were no net assets with donor restrictions as of December 31, 2019 and 2018.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consisted of deposit accounts in financial institutions.

Revenue recognition

Contributions consisted primarily of donations from foundations, businesses and the general public. Contributions are accrued when committed to the Organization by the donor.

Program revenue is recognized as revenue when earned. The amount of program revenue collected but unearned as of December 31, 2019 and 2018 is recorded as deferred revenue.

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly.

The ManKind Project USA

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Income Tax

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code (“IRC”) and corresponding state provisions. Therefore, no provision has been made for federal income taxes in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2019 and 2018. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

Management believes the Organization has taken no tax positions that more likely than not would not be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization’s federal and state income tax and informational returns for tax years ending December 31, 2016 and subsequent remain subject to examination by the Internal Revenue Service.

Fair Value Disclosure

At December 31, 2019 and 2018, the Organization’s financial instruments approximate fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) 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.

Concentration of Risk

The Organization maintains cash in bank deposit accounts which, at times, exceed federally insured limits. To date, the Organization has not experienced a loss or a lack of access to its invested cash; however, no assurance can be provided that access to the Organization’s cash will not be impacted by adverse conditions in the financial markets.

The ManKind Project USA

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Property and Equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

| | |
|-----------|---------|
| Computers | 5 years |
| Software | 3 years |

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extended useful lives are capitalized and depreciated over the estimated remaining useful lives of the related assets.

Subsequent Events

The Organization has evaluated subsequent events through September 21, 2020, the date which the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China and the World Health Organization has since declared this to be a pandemic. The extend of COVID-19's effect on the Organization's future operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. This pandemic may have a significant impact on the Organization's markets and customers, which in turn may have a material adverse effect on the Organization's business, results of activities, financial condition, and cash flows. As of the report date, Management is of the opinion that the Organization will successfully manage through the effects of this evolving situation.

3. Liquidity Matters and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, comprise the following as of December 31:

| | 2019 | 2018 |
|--------------------------|-------------------|-------------------|
| Total cash available | \$ 1,111,924 | \$ 974,832 |
| Accounts receivable, net | 12,320 | 35,856 |
| Prepaid expenses | 78,015 | 51,894 |
| Less restricted cash | (641,990) | (442,706) |
| Net cash available | \$ 560,269 | \$ 619,876 |

The ManKind Project USA

Notes to Financial Statements

3. Liquidity Matters and Availability (continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to manage its available funds. The Organization relies on contributions, contracts, and grants to fund its operations. The Organization's source of liquidity is its cash and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a budget and anticipates recognizing sufficient revenue in the form of contributions or payments for services rendered to cover all of a substantial portion of operating expenditures. Refer to the Statements of Cash Flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the years ended December 31, 2019 and 2018.

4. Accounts Receivable

The accounts receivable consisted of monies due from members and are deemed to be collectible.

5. Property and Equipment

Property and equipment are recorded at cost and consisted of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-----------------|-----------------|
| Furniture and fixtures | \$ 32,307 | \$ 29,473 |
| Less accumulated depreciation | <u>(29,631)</u> | <u>(29,473)</u> |
| | <u>\$ 2,677</u> | <u>\$ -</u> |

Depreciation expense for the years ended December 31, 2019 and 2018 was \$157 and \$0, respectively.

The ManKind Project USA
Notes to Financial Statements

6. Net Assets with Donor Restrictions

Net assets with donor restrictions and net assets released from restrictions during the years ended December 31, 2019 and 2018 are as follows:

| | Balance December 31, 2018 | Revenue with donor restrictions | Net assets released from restriction | Balance December 31, 2019 |
|------------------|---------------------------------|---------------------------------------|--|---------------------------------|
| Constituencies | \$ 30,033 | \$ 6,532 | \$ (5,071) | \$ 31,494 |
| Support services | 69,636 | 54,350 | (45,255) | 78,731 |
| Area funds | 305,172 | 263,150 | (133,530) | 434,792 |
| | \$ 404,841 | \$ 324,032 | \$ (183,856) | \$ 545,017 |

| | Balance December 31, 2017 | Revenue with donor restrictions | Net assets released from restriction | Balance December 31, 2018 |
|------------------|---------------------------------|---------------------------------------|--|---------------------------------|
| Constituencies | \$ 15,835 | \$ 23,309 | \$ (9,111) | \$ 30,033 |
| Support services | 34,234 | 48,517 | (13,115) | 69,636 |
| Area funds | 301,059 | 137,758 | (133,645) | 305,172 |
| | \$ 351,128 | \$ 209,584 | \$ (155,871) | \$ 404,841 |

7. Board Designated Net Assets

Board designated net assets are included in unrestricted net assets and consisted of the following at December 31, 2019 and 2018:

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| UNY Elder Fund | \$ 585 | \$ 585 |
| North American Leader Body | 65,211 | 57,520 |
| New York Metro LGBTQ Curriculum Fund | 5,000 | 5,000 |
| Lodge Keepers Society International | 7,172 | 7,172 |
| Elder Fund | 1,781 | 1,819 |
| Multicultural | 4,928 | 5,531 |
| Board travel | 1,204 | 1,204 |
| Unification reserve credits | 24,624 | 24,624 |
| Net cash available | \$ 110,505 | \$ 103,455 |