

**Pursuit Transformation
Company Inc.**

Financial Statements

December 31, 2019

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Independent Auditors' Report

Board of Directors of Pursuit Transformation Company Inc.

We have audited the accompanying financial statements of Pursuit Transformation Company Inc., 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 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 of
Pursuit Transformation Company Inc.**
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pursuit Transformation Company Inc. as of December 31, 2019 and 2018 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.

PKF O'Connor Davies, LLP

December 9, 2020

Pursuit Transformation Company Inc.

Statements of Financial Position

	December 31	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,448,184	\$ 1,443,901
Contributions and grants receivable, net	1,985,185	2,121,242
Prepaid expenses	12,652	477
Security deposit	155,050	155,050
Property and equipment, net	291,081	186,194
Intangible assets	140,000	-
	<u>\$ 5,032,152</u>	<u>\$ 3,906,864</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 140,308	\$ 69,312
Loans payable	1,192,450	536,869
Deferred rent	174,974	118,000
Total Liabilities	<u>1,507,732</u>	<u>724,181</u>
 Net Assets		
Without donor restriction	1,260,172	496,161
With donor restriction	2,264,248	2,686,522
Total Net Assets	<u>3,524,420</u>	<u>3,182,683</u>
	<u>\$ 5,032,152</u>	<u>\$ 3,906,864</u>

See notes to the financial statements

Pursuit Transformation Company Inc.

Statements of Activities

	Year Ended December 31					
	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Contributions	\$ 3,066,580	\$ 1,575,226	\$ 4,641,806	\$ 3,561,415	\$ 1,997,500	\$ 5,558,915
Program service fees	884,836	-	884,836	414,734	-	414,734
In-kind contributions	485,469	-	485,469	195,995	-	195,995
Government grants	677,203	-	677,203	231,500	-	231,500
Other income	5,321	-	5,321	24,387	-	24,387
Net assets released from restriction	1,997,500	(1,997,500)	-	150,000	(150,000)	-
Total Revenue and Support	7,116,909	(422,274)	6,694,635	4,578,031	1,847,500	6,425,531
EXPENSES						
Program services	4,410,932	-	4,410,932	3,243,820	-	3,243,820
Management and general	1,047,881	-	1,047,881	867,231	-	867,231
Fundraising	894,085	-	894,085	653,670	-	653,670
Total Expenses	6,352,898	-	6,352,898	4,764,721	-	4,764,721
Change in Net Assets	764,011	(422,274)	341,737	(186,690)	1,847,500	1,660,810
NET ASSETS						
Beginning of year	496,161	2,686,522	3,182,683	682,851	839,022	1,521,873
End of year	\$ 1,260,172	\$ 2,264,248	\$ 3,524,420	\$ 496,161	\$ 2,686,522	\$ 3,182,683

See notes to the financial statements

Pursuit Transformation Company Inc.

Statements of Functional Expenses

	Year Ended December 31							
	2019		2018					
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Staff salaries	\$ 2,477,243	\$ 473,283	\$ 485,638	\$ 3,436,164	\$ 1,851,679	\$ 230,612	\$ 230,020	\$ 2,312,311
Employee benefits	226,393	21,004	40,735	288,132	145,924	20,289	20,289	186,502
Payroll taxes	209,794	39,548	38,682	288,024	152,268	19,034	19,034	190,336
Consultants and contractors	211,599	6,400	15,813	233,812	413,819	-	-	413,819
Advertising and promotion	72,539	6,883	-	79,422	126,161	-	-	126,161
Depreciation	72,614	15,371	-	87,985	33,104	8,276	-	41,380
Equipment	510	59	-	569	41,237	15,488	-	56,725
Insurance	-	4,068	-	4,068	-	1,869	-	1,869
Office supplies and expenses	86,389	5,397	20,621	112,407	38,953	11,129	5,443	55,525
Professional fees	406,009	346,769	152,199	904,977	73,408	405,925	130,460	609,793
Rent and utilities	465,354	89,201	64,170	618,725	299,764	46,856	87,821	434,441
Travel and meetings	120,357	13,603	71,103	205,063	55,401	41,423	109,593	206,417
Interest expense	40,129	-	-	40,129	-	41,426	-	41,426
Staff development	7,103	-	-	7,103	1,861	71	41,089	43,021
Payroll and payment processing fees	-	22,445	5,124	27,569	-	24,833	9,921	34,754
Grants to other organizations	14,899	-	-	14,899	10,241	-	-	10,241
Bad debt expense	-	3,850	-	3,850	-	-	-	-
Total Expenses Reported by Function on the Statement of Activities	\$ 4,410,932	\$ 1,047,881	\$ 894,085	\$ 6,352,898	\$ 3,243,820	\$ 867,231	\$ 653,670	\$ 4,764,721

See notes to the financial statements

Pursuit Transformation Company Inc.

Statements of Cash Flows

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 341,737	\$ 1,660,810
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	87,985	41,380
Bad debt expense	3,850	-
In-kind donation of intangible assets	(70,000)	-
Loss on disposal of equipment	2,113	-
Deferred rent	56,974	30,209
Discount on contributions and grants receivable	(12,980)	(12,980)
Change in certain other accounts		
Contributions and grants receivable	145,187	(1,163,614)
Prepaid expenses	(12,175)	887
Accounts payable and accrued expenses	70,996	25,180
Net Cash from Operating Activities	<u>613,687</u>	<u>581,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(194,985)	(114,255)
Purchase of intangible assets	(70,000)	-
Net Cash from Investing Activities	<u>(264,985)</u>	<u>(114,255)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	1,000,000	-
Payments on loans payable	(344,419)	(173,888)
Net Cash from Financing Activities	<u>655,581</u>	<u>(173,888)</u>
Net Change in Cash and Cash Equivalents	1,004,283	293,729
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,443,901</u>	<u>1,150,172</u>
End of year	<u>\$ 2,448,184</u>	<u>\$ 1,443,901</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 26,927	\$ 41,426

See notes to the financial statements

Pursuit Transformation Company Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Organization and Tax Status

Pursuit Transformation Company Inc. (the “Organization”), formerly known as Coalition for Queens, Inc., is a not-for-profit organization and was incorporated in the State of New York on July 28, 2011. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal, state or local income taxes has been recorded. The Organization primarily receives its support from contributions and grants from individuals, corporations, and governmental entities, and from program service revenue.

The Organization is a social impact organization that creates transformation where it's needed most and enables equality of opportunity and a more prosperous society for all. We transform the lives of adults with the most need and potential by training them to become software developers, launch careers in tech, and become leaders in the industry. On average, our Fellows increase their annual salaries from \$18,000 to \$85,000 and work at more than 150 leading companies, including Pinterest, Spotify, LinkedIn, Uber, BlackRock, and JPMorgan Chase.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

Recognition of Contributions

Effective January 1, 2019, the Organization adopted ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions, or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of ASU 2018-08 had no impact on the Organization's financial statements.

Pursuit Transformation Company Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

Revenue from Contracts with Customers

Effective January 1, 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. 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 ASU 2014-09 had no impact on the Organization's financial statements.

Net Asset Presentation

The financial statements of the Organization report amounts separately by class of net assets based on the presence or absence of donor restrictions with the following net asset classifications:

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, its programs or supporting activities. 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 stipulations imposed by donors and grantors that limit their use either through purpose or time restrictions. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by passage of time. These amounts are restricted primarily for education.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the Organization maintains the assets in perpetuity, but permits the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The principal amounts of these assets are permanently restricted in nature as an endowment fund.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restriction.

Pursuit Transformation Company Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid instruments purchased with maturities of three months or less.

Contributions and Grants Receivable

Contributions and grants receivable are recorded as contributions or grants at the pledged amount, net of estimated uncollectible amounts, and discounted using a risk-adjusted rate if due over more than one year. An estimated allowance for doubtful accounts is provided based on management's assessment of collectability on a contribution by contribution or grant by grant basis.

Deferred Rent

Deferred rent represents the excess of rent expense on a straight-line basis over the annual rent payments required under the lease.

Revenue Recognition

Contributions are recorded when received or when an unconditional promise to give is made. Conditional promises to give are recorded when substantially all conditions have been met. All donor-restricted contributions are recorded as revenue with donor restrictions. Permanent in nature restricted donations are restricted by donors to be maintained in perpetuity, with only the income from such net assets available for operations. Temporary in nature donor restrictions expire by either the passage of time or fulfillment of the purpose restriction. When a restriction expires, temporary in nature restricted contributions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions received and released in the same year are treated as without donor restrictions. Contributions of non-cash assets are recorded at their fair value at the time the contribution is received. Program service fees are recorded upon completion of the contract terms.

The Organization records contributions and program service fees on an accrual basis. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. In addition, the Organization reports cash, promises to give, contributed services, and other gifts at their fair value when they are received. Program service fees are recognized as services are performed.

Government Grants

Federal, state and other grant awards received for specific purposes are recognized as support and revenue to the extent related expenses are incurred in compliance with the specific grant terms. Unexpended funds are reported as net assets with donor restriction.

Pursuit Transformation Company Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Donated Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value when received.

Property and Equipment

Property and equipment acquired are recorded at cost, and are depreciated using the straight-line method over estimated useful lives of the related asset. Property and equipment with a cost of \$1,000 or higher are capitalized.

Intangible Assets

Intangible assets relate to costs incurred in acquiring an internet domain name during 2019. In accordance with ASC 350, the Organization has capitalized the costs and has determined that the domain name has an indefinite life, and is therefore exempt from amortization charges. Management reviews the intangible asset for indications of impairment, and has determined that there was no impairment on the asset as of December 31, 2019.

Functional Allocation of Expenses

The Organization reports its expenses for providing programs and other activities and certain costs for supporting services by their functional classification on a summarized basis in the statements of activities. Program expenses are the activities that result in services being provided to the public pursuant to the Organization's mission. Supporting services are classified as management and administrative functions, such as oversight and business management, but exclude direct conduct of program services and fundraising activities. Fundraising activities include developing and maintaining relationships with major donors, foundations and potential donors. Such allocations are determined by management on a time and effort methodology.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs for the years ended December 31, 2019 and 2018 were \$79,422 and \$126,161.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to 2016.

Pursuit Transformation Company Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition through December 9, 2020 the date the financial statements were available to be issued.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalents and receivables. At times cash balances held at financial institutions may be in excess of federally insured limits. The Organization has not experienced any losses on its cash deposits. The Organization routinely assesses the financial strength of its cash and cash equivalents. The Organization does not have a material concentration of credit risk with respect to receivables.

4. Liquidity and Availability

Financial assets available for general expenditure within one year of December 31 are as follows:

	2019	2018
Total financial assets at year end		
Cash and cash equivalents	\$ 2,448,184	\$ 1,443,901
Contributions and grants receivable, net	1,985,185	2,121,242
Total Financial Assets	<u>4,433,369</u>	<u>3,565,143</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,264,248)	(2,686,522)
Less net assets with donor restrictions expected to be met in less than one year	1,575,226	2,147,500
	<u>(689,022)</u>	<u>(539,022)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 3,744,347</u>	<u>\$ 3,026,121</u>

The Organization's goal is to generally maintain 90-180 days of budgeted operating expenses in the form of cash, marketable securities or other liquid investments. The Organization actively monitors receivables, philanthropy pipeline and other revenue sources to maintain this level of liquidity.

Additionally, in response to the Coronavirus pandemic subsequent to year end, the Organization obtained a government loan totaling \$707,200 to assist with liquidity and economic uncertainty, as further detailed in Note 12.

Pursuit Transformation Company Inc.

Notes to Financial Statements December 31, 2019 and 2018

5. Contributions and Grants Receivable

Contributions and grants receivable, which have been recorded net of a present value discount of 3% as of December 31, are as follows:

	<u>2019</u>	<u>2018</u>
Due in one year or less	\$ 1,985,185	\$ 1,834,222
Due in two through five years	<u>-</u>	<u>300,000</u>
	1,985,185	2,134,222
Discount on contributions and grants	<u>-</u>	<u>(12,980)</u>
	<u>\$ 1,985,185</u>	<u>\$ 2,121,242</u>

6. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Leasehold improvements	15 years	\$ 46,790	\$ 46,790
Furniture and fixtures	5 years	84,256	49,414
Computers and equipment	3 years	<u>347,840</u>	<u>193,012</u>
		478,886	289,216
Less: Accumulated depreciation		<u>(187,805)</u>	<u>(103,022)</u>
		<u>\$ 291,081</u>	<u>\$ 186,194</u>

7. Loans Payable

On January 18, 2017, the Organization entered into a loan and security agreement with two lenders in the principal amounts of \$600,000 and \$150,000, with interest rates of 7% and 5% per annum, and all principal due August 31, 2019. These notes were extended for one year to August 31, 2020. As of December 31, 2019 and 2018 loans payable of \$192,450 and \$536,869, were outstanding. The interest expense on the loans for the years ended December 31, 2019 and 2018 was \$26,927 and \$41,426.

On October 4, 2019, the Organization entered in to a financing agreement with a lender. The agreement provides for financing up to \$12,500,000 to be made available to the Organization in several tranches, dependent on the performance of the Organization's programs. The first tranche of the financing agreement of \$1,000,000 was received on execution, with a fixed annual interest rate of 5.5% per annum. As of December 31, 2019, \$1,000,000 was outstanding, due in 10 years in full. The interest expense on the loan for the year ended December 31, 2019 was \$13,202.

Pursuit Transformation Company Inc.

Notes to Financial Statements December 31, 2019 and 2018

8. Net Assets with Donor Restrictions

Net assets with donor restriction were restricted for the following at December 31:

	<u>2019</u>	<u>2018</u>
Fellowship Program	\$ 1,290,900	\$ 988,400
Key areas of expansion	-	1,000,000
Time restricted	973,348	673,122
Management assistance	-	25,000
	<u>\$ 2,264,248</u>	<u>\$ 2,686,522</u>

For the years ended December 31, 2019 and 2018, net assets totaling \$1,997,500 and \$150,000 were released from restriction following satisfaction of time and/or purpose restrictions as specified by the respective donors.

9. Related Party Transactions

Two members of the Organization's board of directors were also employees of the Organization. These employees received a combined salary of \$440,000 and \$374,500 during the years ended December 31, 2019 and 2018 for their services to the Organization.

10. Donated Services and Facilities

Donated services and facilities were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 414,269	\$ 195,995
Computer equipment	1,200	-
Partial donation of domain name	70,000	-
	<u>\$ 485,469</u>	<u>\$ 195,995</u>

Pursuit Transformation Company Inc.

Notes to Financial Statements December 31, 2019 and 2018

11. Commitments and Contingencies

During the year ended December 31, 2017, the Organization entered into an operating lease for office space that expires in July 2022. Approximate future minimum lease commitments under the lease are as follows:

2020	\$	521,208
2021		536,287
2022		<u>318,778</u>
	\$	<u>1,376,273</u>

Total rent expense for the years ended December 31, 2019 and 2018 was \$529,465 and \$385,923.

12. Subsequent Events

Subsequent to the year end, the Coronavirus pandemic resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of the Organization's operations. While management has implemented measures to mitigate the impact of the pandemic, the extent to which the Organization's results are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to the Organization's future results of operations, cash flows, or financial condition.

In April 2020, the Organization received a loan under the Paycheck Protection Program ("PPP") in response to the Coronavirus pandemic, authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of \$707,200. In accordance with the requirements of the CARES Act, the loan may be forgiven based on the associated spending. For PPP loan amounts which are not forgiven, the balance is due within two years from the date of the loan, and accrues interest at a fixed rate of 1% annually.

The Organization intends to use all proceeds received for purposes consistent with the PPP, and in accordance with the regulations of the CARES Act. Management believes its use of the proceeds will result in loan forgiveness.

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