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RESOLVE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

MATTHEWS, CARTER & BOYCE

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RESOLVE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

JUNE 30, 2019

Matthews, Carter & Boyce
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Independent Auditors' Report

Board of Directors
RESOLVE, Inc.
Washington, DC

We have audited the accompanying consolidated financial statements of RESOLVE, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 consolidated 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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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RESOLVE, Inc. and Subsidiaries as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matthews, Carter and Boyce

Fairfax, Virginia
May 15, 2020

RESOLVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,321,817
Contract receivables, net	1,663,801
Investments	1,811,295
Other receivables	15,611
Prepaid expenses	13,117
Total Current Assets	$ 4,825,641
OTHER ASSETS	
Property and equipment, net	202,844
Intellectual property WildTech	166,667
Other non current assets	6,172
TOTAL ASSETS	$ 5,201,324

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 151,912
Accrued payroll and related liabilities	257,240
Due to related party	83,333
Deferred rent, current portion	157,589
Total Current Liabilities	$ 650,074
OTHER LIABILITIES	
Deferred rent, net of current portion	226,253
Notes payable	100,000
Total Liabilities	$ 976,327
NET ASSETS	
Without donor restrictions	$ 193,325
With donor restrictions	4,198,300
Total Net Assets	$ 4,391,625
NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY	$ (166,628)
TOTAL LIABILITIES AND NET ASSETS	$ 5,201,324

See accompanying notes and independent auditors' report.

RESOLVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	$ 95,117	$ 3,331,408	$ 3,426,525
Contract service fees	2,185,566	-	2,185,566
In-kind contribution	440,000	-	440,000
Sublease income	128,565	-	128,565
Other income	289,754	-	289,754
Investment income	107,170	-	107,170
Net assets released from restrictions	2,545,332	(2,545,332)	-
Total Support and Revenue	$ 5,791,504	$ 786,076	$ 6,577,580
EXPENSES			
Program services:			
Direct program	$ 3,734,249	$ -	$ 3,734,249
Program support	1,581,540	$ -	1,581,540
Total Program Services	$ 5,315,789	$ -	$ 5,315,789
Supporting services:			
Management and general	$ 740,870	$ -	$ 740,870
Fundraising	66,378	-	66,378
Total Supporting Services	$ 807,248	$ -	$ 807,248
TOTAL EXPENSES	$ 6,123,037	$ -	$ 6,123,037
INCREASE (DECREASE) IN NET ASSETS BEFORE NONCONTROLLING INTEREST	$ (331,533)	$ 786,076	$ 454,543
ALLOCATION OF NONCONTROLLING INTEREST IN SUBSIDIARY NET LOSS	307,761	-	307,761
CHANGE IN NET ASSETS	$ (23,772)	$ 786,076	$ 762,304
NET ASSETS, BEGINNING OF THE YEAR	217,097	3,412,224	3,629,321
NET ASSETS, END OF THE YEAR	$ 193,325	$ 4,198,300	$ 4,391,625

See accompanying notes and independent auditors' report.

RESOLVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	762,304
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Allocation of noncontrolling interest in subsidiary net loss	$	(307,761)
Depreciation and amortization		79,479
Deferred rent		(143,335)
Realized and unrealized gains on investments		(76,366)
Change in allowance for doubtful account		5,326
Changes in operating assets and liabilities:		
Contract receivables		(391,575)
Prepaid expenses		(2,011)
Other receivables		(7,033)
Other non-current assets		4,405
Accounts payable and accrued expenses		(334,072)
Accrued payroll and related liabilities		19,806
Due to related parties		83,333
Total Adjustments	$	(1,069,804)
Net Cash Used by Operating Activities	$	(307,500)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	$	(269,396)
Proceeds from sales and maturities of investments		598,285
Purchases of property and equipment		(36,700)
Net Cash Provided by Investing Activities	$	292,189
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	$	100,000
Net Cash Provided by Investing Activities	$	100,000
NET CHANGE IN CASH	$	84,689
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		1,237,128
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$	1,321,817

SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES

NON-CASH INVESTING ACTIVITIES - NONE

NON-CASH FINANCING ACTIVITIES - NONE

See accompanying notes and independent auditors' report.

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements include the accounts of RESOLVE, Inc. (RESOLVE), Resolve Group Incorporated (RGI), impact@RESOLVE, Inc. (impact), and WildTech@RESOLVE, LLC (WildTech).

RESOLVE forges sustainable solutions to critical social, health, and environmental challenges by creating innovative partnerships where they are least likely and most needed. We envision a less polarized world with a shared commitment to transforming ambitious ideas into real benefits for people, communities, and ecosystems.

RESOLVE pioneered the use of dispute resolution and consensus building 40 years ago as a means of developing effective solutions to complex natural resource conflicts and policy issues. Today, we bring our process expertise to technically and politically complex, high-profile initiatives. We provide expert dispute resolution and related services; work with our partners to design and carry out solutions-focused programs and pilots; and develop, incubate, and support mission-related impact enterprises.

Our track record of solutions includes the no net loss of wetlands policy, implementing food safety provisions, greater health care access, responsible minerals sourced from conflict affected regions, best practices for siting wind energy, safer drinking water rules, new technologies to promote human-wildlife coexistence, and agreements that support restoration of the Missouri River watershed.

RGI is a wholly-owned, for-profit subsidiary of RESOLVE, Inc. and was incorporated in February 1996 under the laws of the District of Columbia. RGI provides dispute resolution services and internal organizational development for contracts that would not qualify under RESOLVE, Inc.'s tax-exempt purpose. RGI did not have any activity during the year ended June 30, 2019.

impact is a wholly-owned, for-profit subsidiary of RESOLVE, and was incorporated in September 2017 under the laws of the State of Delaware. impact is set up as a platform to assist clients in planning, organizing, financing, holding, operating, and governing their impact enterprises.

WildTech is a sixty percent owned, for-profit subsidiary of impact and was incorporated in February 2018 under the laws of the State of Delaware. WildTech is an impact enterprise focused on developing durable, high technology devices.

The significant accounting policies followed by RESOLVE, RGI, impact and WildTech are described below.

Principles of Consolidation

The consolidated financial statements include the accounts of RESOLVE and its wholly-owned subsidiaries RGI, and impact, and WildTech which is owned 60% by impact (collectively referred to as the Organization). All significant intercompany balances and transactions have been eliminated in consolidation.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates.

Operating Cycle

The Organization's operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts. Contract-related assets and liabilities are classified as current assets and current liabilities.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable, and collectability is reasonably assured. Revenue associated with work performed prior to the completion and signing of contract documents is recognized only when it can be reliably estimated and realization is probable. The Organization bases its estimates on previous experiences with the customer, communications with the customer regarding funding status, and its knowledge of available funding for the contract.

Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus a proportionate amount of the fee earned. The Organization considers fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. The Organization considers performance-based fees, including award fees, under any contract type to be earned when it can demonstrate satisfaction of performance goals, based upon historical experience, or when the Organization receives contractual notification from the customer that the fee has been earned. Revenue on time-and-materials contracts is recognized based on the hours incurred at the negotiated contract billing rates, plus the cost of any allowable material costs and out-of-pocket expenses. Revenue on fixed-price contracts where the Organization performs systems design, development and integration is recognized using the percentage-of-completion method of contract accounting. Unless it is determined as part of the Organization's regular contract performance review that overall progress on a contract is not consistent with costs expended to date, the Organization determines the percentage completed based on the percentage of costs incurred to date in relation to total estimated costs expected upon completion of the contract. Revenue on fixed-price service contracts is generally recognized on a straight-line basis over the contractual service period, unless the revenue is earned, or obligations fulfilled, in a different manner.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Concluded)

The Organization recognizes contribution revenue for certain contributed services received, recorded at the fair value of those services, based upon the requirement of FASB ASC 958. During the years ended June 30, 2019, the Organization recorded $440,000 contributed services.

Contract revenue recognition involves estimation. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the period in which such revisions are determined.

Federal government contract costs, including indirect costs, are subject to audit and adjustment by applicable cognizant audit agencies. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

The Organization receives grant funding from federal agencies. Revenue is recognized only to the extent of expenditures under the terms of the grants. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. Excess expenses incurred are borne by the Organization.

Grants and contributions with and without donor restrictions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restriction are recognized as support released from restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

The aggregate rent receipts due over the life of the lease are recognized as sublease rental income on a straight-line basis over the non-cancelable term of the lease.

Contributions, including unconditional promises to give, are recognized in the period received or pledged. Contributions received are considered unrestricted unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as support with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions.

Program Services Expense

Program services expense includes all direct contract costs, as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Program services expense also includes costs and expenses that are unallowable under applicable procurement standards and are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

Cash Equivalents

The Organization considers all highly-liquid instruments with maturities, at purchase, of three months or less to be cash equivalents.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Investments

The Organization records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Unrealized gains and losses are included in the changes in unrestricted net assets in the accompanying consolidated statement of activities and changes in net assets.

Contract Receivables

Contract receivables are generated from prime and subcontracting arrangements with federal governmental agencies and various commercial entities. Billed amounts represent invoices that have been prepared and sent to the customer. Unbilled amounts represent costs and anticipated profits not yet billed. Management determines the allowance for doubtful accounts by regularly evaluating individual customer/grantor receivables and considering a customer's/grantor's financial condition, credit history, and current economic conditions. An allowance for doubtful accounts of $13,661 has been established as of June 30, 2019.

Billed contract receivables are considered past due if the invoice has been outstanding more than 30 days. The Organization does not charge interest on billed contract receivables.

Property and Equipment

Property and equipment is stated at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets of three to seven years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the underlying assets or the term of the related lease.

Income Taxes

RESOLVE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from the District of Columbia franchise tax under applicable tax regulations, except for income from activities not related to its tax-exempt purpose. RESOLVE is a non-private foundation pursuant to Section 509(a)(1) of the IRC.

RGI and impact are wholly-owned for-profit corporate subsidiaries of RESOLVE. WildTech is a limited liability company which is owned 60% by impact. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Organization is subject to income taxes in U.S. federal jurisdictions and various state jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. The Organization adopted the Financial Accounting Standards Board FASB ASC 740-10, Income Taxes, which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. For the year ended June 30, 2019, the Organization has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Valuation of Long-Lived Assets

The Organization reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicator of impairment was identified as of June 30, 2019.

Fair Value of Financial Instruments

The carrying amounts of the Organization's cash and cash equivalents, investments, contract receivables, accounts payable and accrued expenses, and accrued payroll and related liabilities approximate their fair value due to the relatively short maturity of these items.

Concentrations of Credit Risk

The Organization's assets that are exposed to credit risk consist primarily of cash and cash equivalents and contract receivables. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has not to date experienced any losses related to these balances. Contract receivables consist primarily of amounts due from various agencies of the federal government or prime contractors doing business with the federal government. Historically, the Organization has not experienced significant losses related to contract receivables and, therefore, believes that the credit risk related to contract receivables is minimal.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Note 1. Organization and Summary of Significant Accounting Policies (Concluded)

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 the Board of Governors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions at June 30, 2019 pertain to contributions and grants.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the support is received, the Organization reports the support as net assets without donor restrictions.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. Additionally, ASU 2016-14 increases the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. The Organization adopted ASU 2016-14 for the year ended June 30, 2019. The effect of this implementation of the ASU was to change the terminology to net assets without donor restrictions which had previously been reported as unrestricted net assets, change to net assets with donor restrictions which had previously been reported as temporarily restricted net assets, to present the liquidity and availability note, see Note2, and to net the investment fees against the related investment net income, see Note 3.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This new guidance establishes a comprehensive revenue recognition standard for virtually all industries under accounting principles generally accepted in the United States of America, including those that previously followed industry-specific guidance. The principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective to the Organization beginning July 1, 2019. Management is evaluating the potential impact of this new guidance on the consolidated financial statements.

Note 2. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in short-term investments.

Financial assets available for general operating expenditures within one year of the statement of financial position date, are comprised of the following:

Cash and cash equivalents	$ 1,321,817
Contact receivables, net	1,663,801
Other receivables	15,611
	$ 3,001,229
Less amounts not available to be used within one year:	
Net assets with donor restrictions not to be used within one year	(460,881)
Financial assets available to meet general expenditures over the next twelve months	$ 2,540,348

During the normal course of operations in the year ending June 30, 2020, the Organization will receive grant and contract revenue which will be available to spend on general expenditures. The investment account totaling $1,811,295 has been set aside as a reserve by the Board of Directors. Although we do not intend to spend from this board-designated account, these amounts could be made available to meet cash flow needs, if necessary.

Note 3. Investment Income

Investment income is comprised of the following for the year ended June 30, 2019:

Interest and dividend income	$ 50,635
Net realized gain on investments	48,517
Net unrealized gain on investments	27,849
Investment fee	(19,831)
Total	$ 107,170

Note 4. Contract Receivables

Contract receivables consist of the following at June 30, 2019:

Billed receivables	$ 1,480,481
Unbilled receivables	196,981
Subtotal	$ 1,677,462
Less: allowance for doubtful accounts	(13,661)
Total	$ 1,663,801

Note 4. Contract Receivables (Concluded)

Unbilled receivables at June 30, 2019 consist primarily of amounts billed subsequent to year-end or awaiting milestones to bill. Consequently, the timing of collection of such balances is outside the Organization's control. Based on the Organization's historical experience, the majority of indirect rate variances and retention balances are expected to be collected beyond one year from the consolidated statement of financial position date.

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2019:

Leasehold improvements	$	668,104
Furniture and fixtures		76,739
Computer and other equipment		65,006
Software		75,514
Total	$	885,363
Less: accumulated depreciation and amortization		(682,519)
Net	$	202,844

Depreciation and amortization expense on property and equipment aggregated $79,479 for the year ended June 30, 2019.

Note 6. Bank Letter of Credit

The Organization has a letter-of-credit in the amount of $235,296 that funds the security deposit required under the Organization's headquarters lease. The letter-of-credit amount is reduced by $39,216 on June 1 of each new lease year until the balance is $39,216. The letter-of-credit automatically renews each year through May 31, 2022. As of June 30, 2019, the letter-of-credit amount was $39,216.

Note 7. Fair Value Measurements

Certain assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Organization reports certain investments using the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the Organization to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules.

Note 7. Fair Value Measurements (Concluded)

The Organization's assets recorded at fair value are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- Level 1 – Inputs that are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market date for substantially the full term of the investment.
- Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Organization uses to measure its financial assets at fair value.

Investments consist of marketable securities and mutual funds. In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

	As of June 30, 2019			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Government securities	$ 507,127	$ 84,428	$ 422,699	$ -
Equities	650,529	650,529	-	-
Certificates of deposit	477,212	-	477,212	-
Mutual funds/CEF/UIT	176,427	176,427	-	-
Total	$ 1,811,295	$ 911,384	$ 899,911	$ -

Note 8. 403(b) Profit Sharing Plan

The Organization maintains a defined contribution plan qualified under 403(b) of the Internal Revenue Code. Under the provisions of the plan, the Organization contributes 6% of each eligible employee's annual base salary and matches 100% of eligible employee contributions up to 3% of each employee's annual base salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code as provided in the plan document. Employees with at least one year of service are eligible to receive matching contributions and/or non-matching contributions as provided in the plan document. Pension expense was $146,915 for the year ended June 30, 2019.

Note 9. Convertible Promissory Note

WildTech received $100,000 from the Weeden Foundation (Foundation) in the form of a convertible promissory note in March 2019. The note payable bears interest at a rate of 1%, compounded annually. The repayment date will be 36 months after the receipt of the note payable principal. There are repayment provisions based upon the financial position of WildTech. These provisions include the Foundation having the option to convert the note payable and accrued interest to WildTech equity units at the time of the note maturity, at a rate of one unit per $50,000 of the principal and accrued interest outstanding, delaying the payment date, or otherwise modifying the note. During the year ended June 30, 2019, the Organization recognized interest expense on the note payable in the amount of $250.

Note 10. Operating Leases, Deferred Rent and Deferred Lease Incentive

The Organization leases office space under the terms of a non-cancelable operating lease that expires on June 30, 2022. Under terms of the lease, the landlord provided the Organization with an improvement allowance (the allowance) not to exceed $736,360 to be used for the Organization's costs of designing and constructing tenant improvements. As of June 30, 2019, the Organization had incurred the entire $736,360 of tenant improvements which qualify for the improvement allowance. This amount is recorded as leasehold improvements, furniture and fixtures, computer and other equipment, and deferred lease incentive in the statement of financial position. The leasehold improvements will be amortized over the life of the lease on a straight-line basis, the remaining assets will be depreciated over useful lives of the assets on a straight-line basis. The deferred lease incentive will be amortized against rent expense over the life of the lease on a straight-line basis. For the year ended June 30, 2019, $143,335 has been recorded as amortization of the deferred rent to reduce rent expense. The lease agreement provides for an annual 3% escalation of the base rent. The Organization is also responsible for certain operating expenses.

The Organization recognizes the total cost of its office leases ratably over the respective lease periods. The difference between rent paid and rent expense is reflected as deferred rent in the accompanying consolidated statement of financial position.

Note 10. Operating Leases, Deferred Rent and Deferred Lease Incentive (Concluded)

The following is a schedule by year of the future minimum lease payments required under operating lease which have initial or remaining terms in excess of one year as of June 30, 2019:

Years Ending June 30,	
2020	$ 584,000
2021	598,000
2022	199,000
Total	$ 1,381,000

Rent expense aggregated $488,446 for the year ended June 30, 2019.

The Organization sub-leases office space to various tenants. The leases expire on various dates through 2021. Rental income received related to these leases was $128,565 for the year ended June 30, 2019. The following is a schedule by years of future minimum rent due:

Years Ending June 30,	
2020	$ 135,773
2021	64,129
2022	22,445
Total	$ 222,347

Note 11. Investment in WildTech

	Impact	Non-controlling	Total
Beginning partners' capital	$ 211,700	$ 141,133	$ 352,833
Net loss	(461,641)	(307,761)	(769,402)
Ending partners' capital	$ (249,941)	$ (166,628)	$ (416,569)

During June 2019, WildTech entered into a Memorandum of Understanding (MOU) with a non-related Foundation. The MOU contains provisions whereby the Foundation will make three $100,000 investments over three years beginning during the year ending June 30, 2020. Each of these three $$100,000 investments will be for two newly issued WildTech equity units. There are certain milestones in the MOU that must be achieved by WildTech for the subsequent investments to occur. The Foundation will also receive rights to subscribe for its pro-rata share of any future issuance of WildTech equity units.

Note 12. Operating Expenses by Natural Classification

The following is a summary of operating expenses by natural classification for the year ended June 30:

	2019					
	Direct Program	Program Support	Total Program Services	Management and General	Fundraising	Total
Personnel	$ 872,316	$ 539,468	$ 1,411,784	$ 108,182	$ 37,245	$ 1,557,211
Employee benefits/ payroll taxes	342,454	239,884	582,338	49,631	17,133	649,102
Bank fees	1,842	12,151	13,993	5,459	-	19,452
Consultants	1,624,554	13,267	1,637,821	193,994	-	1,831,815
Depreciation & amortization	-	61,198	61,198	18,281	-	79,479
Education & training	-	490	490	146	-	636
Financial reporting/ systems	-	8,523	8,523	2,545	-	11,068
Insurance	-	27,625	27,625	8,251	-	35,876
Meeting expenses	31,799	3,172	34,971	3,453	2,000	40,424
Miscellaneous	8,017	3,838	11,855	1,342	-	13,197
In-kind services	440,000	-	440,000	-	-	440,000
Office operations	40,640	20,851	61,491	12,448	-	73,939
Occupancy	-	383,313	383,313	105,133	-	488,446
Professional fees	36,156	184,031	220,187	65,169	-	285,356
Stipends	24,036	10,029	34,065	2,996	-	37,061
Telecommunications	20,718	29,838	50,556	114,865	-	165,421
Travel	291,717	43,862	335,579	48,975	10,000	394,554
Total Expenses	$3,734,249	$ 1,581,540	$ 5,315,789	$ 740,870	$ 66,378	$ 6,123,037

Note 13. Subsequent Events

Subsequent to year end, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Future events, revenues and expenses of the organization are uncertain due to the highly contagious nature of the virus, the requirement for social distancing, limited gatherings and restrictions on travel. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. As of May 15, 2020, the amount and likelihood of loss relating to these events is not determined. The Organization is not aware of any other subsequent event which would require recognition or disclosure in the consolidated financial statements.