FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017

LIFT

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LIFT
Washington, D.C.

We have audited the accompanying financial statements of LIFT, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 LIFT as of June 30, 2018, and the change 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.

Report on Summarized Comparative Information

We have previously audited LIFT's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

December 4, 2018

LIFT

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 2,108,984	$ 1,747,246
Grants and pledges receivable	2,559,038	1,624,840
Accounts receivable	506	200
Prepaid expenses	64,507	50,382
Total current assets	4,733,035	3,422,668
FIXED ASSETS		
Software	89,049	109,309
Leasehold improvements	603,276	146,421
Equipment	364,494	298,407
	1,056,819	554,137
Less: Accumulated depreciation and amortization	(399,224)	(450,519)
Net fixed assets	657,595	103,618
NONCURRENT ASSETS		
Deposits	86,731	48,510
Grants and pledges receivable, net of current portion and present value discount	2,752,194	742,997
Total noncurrent assets	2,838,925	791,507
TOTAL ASSETS	**$ 8,229,555**	**$ 4,317,793**

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 301,788	$ 281,186
Deferred rent	40,827	-
Total current liabilities	342,615	281,186
NONCURRENT LIABILITIES		
Deferred rent, net of current portion	457,882	-
Total liabilities	800,497	281,186
NET ASSETS		
Unrestricted	1,493,196	1,171,382
Temporarily restricted	5,935,862	2,865,225
Total net assets	7,429,058	4,036,607
TOTAL LIABILITIES AND NET ASSETS	**$ 8,229,555**	**$ 4,317,793**

See accompanying notes to financial statements.

LIFT

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Institutions and family foundations	$ 1,205,025	$ 3,109,711	$ 4,314,736	$ 5,125,980
Contributions - Individuals	625,526	3,659,500	4,285,026	581,212
In-kind contributions	620,050	-	620,050	594,533
Special events, less direct expenses of $89,488 and $155,996, respectively	240,258	-	240,258	111,650
Government grants	91,862	-	91,862	154,561
Investment income (loss)	3,602	-	3,602	(567)
Other revenue	-	-	-	17,243
Net assets released from donor restrictions	3,658,574	(3,658,574)	-	-
Total support and revenue	6,444,897	3,110,637	9,555,534	6,584,612
EXPENSES				
Program Services	4,495,928	-	4,495,928	4,511,826
Management and General	1,315,869	-	1,315,869	1,024,586
Fundraising	311,286	-	311,286	618,651
Total expenses	6,123,083	-	6,123,083	6,155,063
OTHER ITEM				
Uncollectible pledges	-	(40,000)	(40,000)	(26,300)
Change in net assets	321,814	3,070,637	3,392,451	403,249
Net assets at beginning of year	1,171,382	2,865,225	4,036,607	3,633,358
NET ASSETS AT END OF YEAR	**$ 1,493,196**	**$ 5,935,862**	**$ 7,429,058**	**$ 4,036,607**

See accompanying notes to financial statements.

LIFT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018				2017
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries, taxes and benefits	$ 2,717,171	$ 900,192	$ 230,064	$3,847,427	$ 3,976,476
In-kind volunteers	558,147	1,427	-	559,574	529,247
Occupancy/utilities/repairs	329,905	85,531	23,627	439,063	428,362
Professional fees	181,759	114,966	17,414	314,139	404,573
Technology	161,693	64,884	4,553	231,130	312,174
Depreciation and amortization	43,554	14,625	3,815	61,994	122,602
Travel	144,654	54,888	13,473	213,015	98,976
Miscellaneous	26,260	9,690	2,221	38,171	57,084
Printing/publications	27,003	8,827	1,070	36,900	63,069
Supplies	11,659	5,209	575	17,443	44,362
Education/training/professional development	15,338	4,666	1,263	21,267	26,155
Program expenses	174,865	5	-	174,870	19,521
Event	32,553	22,466	5,542	60,561	20,770
Insurance	17,241	5,789	1,510	24,540	21,603
Postage/delivery	2,914	1,220	179	4,313	12,300
Recruitment and advertising	40,060	13,103	3,517	56,680	9,010
Dues and subscriptions	6,105	6,355	1,704	14,164	5,483
Board expenses	5,047	2,026	759	7,832	3,296
TOTAL	**$ 4,495,928**	**$ 1,315,869**	**$ 311,286**	**$6,123,083**	**$ 6,155,063**

See accompanying notes to financial statements.

LIFT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,392,451	$ 403,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,994	122,602
Unrealized loss (gain)	145	(13)
Realized (gain) loss	(949)	604
Donated investments	(170,465)	(77,724)
Change in discount on pledges receivable	138,109	11,432
(Increase) decrease in:		
Grants and pledges receivable	(3,081,504)	(208,987)
Accounts receivable	(306)	919
Prepaid expenses	(14,125)	(11,851)
Deposits	(38,221)	4,200
Increase (decrease) in:		
Accounts payable and accrued liabilities	20,602	82,701
Grants payable	-	(75,000)
Deferred rent	49,609	-
Net cash provided by operating activities	357,340	252,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(166,871)	(4,528)
Sales of investments	171,269	87,274
Net cash provided by investing activities	4,398	82,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	-	200,000
Payments on line of credit	-	(500,000)
Net cash used by financing activities	-	(300,000)
Net increase in cash and cash equivalents	361,738	34,878
Cash and cash equivalents at beginning of year	1,747,246	1,712,368
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,108,984**	**$ 1,747,246**
SUPPLEMENTAL INFORMATION FOR NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Paid	**$ 665**	**$ 16,856**
Tenant Allowance	**$ 449,100**	**$ -**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The mission of LIFT is to empower families to break the cycle of poverty. LIFT is a national non-profit dedicated to working with low-income families to design solutions to end intergenerational poverty by providing skills, tools and resources to meet basic needs and work toward long-term aspirations. LIFT's work is focused on parents and caregivers of young children within the communities with the highest rates of concentrated poverty (Chicago, Los Angeles, New York and Washington, D.C.), realizing that the early years are the most critical in determining lifelong health. Strong relationships with a wide range of local, regional and national partners are built to ensure families have the resources they need to overcome barriers at every level. By investing in the power and potential of parents, LIFT believes a new model can be created to ensure economic opportunity.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Cash and cash equivalents -

LIFT considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, LIFT maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal; however, LIFT maintains a second bank account at a separate institution to ensure all of its funds are protected.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income (loss) in the Statement of Activities and Change in Net Assets.

Investments acquired by donation are recorded at their fair value at the date of donation.

Accounts and grants receivable -

Accounts receivable approximates fair value, and are expected to be collected within one-year.

Grants receivable expected to be collected within one year are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years (beyond one year) are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in institutions and family foundation revenue in the Statement of Activities and Change in Net Assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Accounts and grants receivable (continued) -

Management considers all accounts and grants receivable to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2018 totaled $61,994.

Income taxes -

LIFT is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. LIFT is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2018, LIFT has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of LIFT and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of LIFT and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions and grants (continued) -

LIFT receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements.

In-kind contributions -

In-kind contributions consisted primarily of over 20,784 volunteer hours with extensive training and providing specialized services that include assisting clients in housing, employment and public benefit ($559,574). Also included in in-kind contributions are donated printing ($16,654) and donated legal services ($43,822). The value of these in-kind contributions is recorded at fair value as of the date the services were provided, and totaled $620,050 for the year ended June 30, 2018.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements -

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (continued) -

The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. LIFT has not yet decided on a transition method. The ASU is effective for years beginning after December 31, 2018.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of LIFT's financial statements, it is not expected to alter LIFT's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states 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 those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. LIFT has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

LIFT plans to adopt the new ASUs at the respective required implementation dates.

2. GRANTS AND PLEDGES RECEIVABLE

As of June 30, 2018, contributors to LIFT have made written promises to give totaling $5,486,538.

Grants due beyond one year have been recorded at their present value of their future cash flows, using a discount rate of LIBOR plus 2%.

2. GRANTS AND PLEDGES RECEIVABLE (Continued)

Grants are due as follows at June 30, 2018:

Less than one-year	$ 2,559,038
One to five years	2,927,500
Total	5,486,538
Less: Present value discount	(175,306)
TOTAL GRANTS RECEIVABLE	**$ 5,311,232**

During 2018, outstanding pledges totaling $40,000 were written off. These amounts were deemed uncollectible by management. The write-off of these uncollectible pledges is shown as an other item in the accompanying Statement of Activities and Change in Net Assets.

3. LINE OF CREDIT

LIFT holds a line of credit for $1,000,000. The line of credit is renewable and its current expiration date is March 31, 2019. As of June 30, 2018, there was no balance due on the line of credit. Amounts borrowed under this agreement bear interest equal to the LIBOR daily floating rate plus 4.98%. The line is secured by personal property of LIFT. The loan agreement requires compliance with certain financial loan covenants.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018:

Program Services	$ 532,321
Time Restricted	5,403,541
TEMPORARILY RESTRICTED NET ASSETS	**$ 5,935,862**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Program Services	$ 724,421
Passage of Time	2,934,153
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 3,658,574**

5. RETIREMENT PLAN

LIFT provides retirement benefits to its employees through a 403(b) retirement savings plan covering all full-time employees. LIFT's retirement benefits policy is to match 100% of employee contributions up to 5% of gross pay after one year of service. The employer match for the year ended June 30, 2018 totaled $89,791.

6. LEASE COMMITMENTS

On August 4, 2017, LIFT entered into a lease agreement for new office space in D.C., which went effective April 1, 2018. The lease term is eleven years and has a fifteen month rent abatement with an annual 2.0% escalation. These future minimum lease payments are included in the table below. The lease required a security deposit of $39,088. Additionally, LIFT received leasehold improvements and fixed assets paid by the landlord in the amount of $449,100, which was recorded as fixed assets and deferred rent liability and is being amortized using the straight-line method over the life of the lease.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

LIFT also leases office space in multiple other locations for its resource centers, expiring at various dates through October 31, 2020.

The following is a schedule of the future minimum lease payments:

Year Ending June 30,	
2019	$ 174,224
2020	372,076
2021	291,645
2022	254,142
2023	260,495
Thereafter	1,627,438
	$ 2,980,020

Occupancy, including utilities and repairs expense for the year ended June 30, 2018, totaled $439,063. As of June 30, 2018, the deferred rent liability was $498,709.

7. RELATED PARTY

For the year ended June 30, 2018, LIFT paid $14,123 to a related party organization and received pro-bono services totaling $16,654 for printing services from the same organization, which were authorized by the Board of Directors. One of LIFT's Board members is currently employed as the CEO and Owner of this related party organization. As of June 30, 2018, there was $1,036 owed to this organization. In addition, LIFT received several related party pledges during fiscal year 2018 from board members and organizations owned by LIFT Board Members. As of June 30, 2018, LIFT received $941,279 in pledges from these Board Members and their organizations.

8. SUBSEQUENT EVENTS

In preparing these financial statements, LIFT has evaluated events and transactions for potential recognition or disclosure through December 4, 2018, the date the financial statements were issued.