CHIVE CHARITIES

Financial Statements as of
and for the Years Ended
December 31, 2017 and 2016 and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chive Charities:

We have audited the accompanying financial statements of Chive Charities (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, 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.

Maxwell Locke & Ritter LLP

Austin, Texas
July 30, 2018

CHIVE CHARITIES

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 92,785	$ 284,883
Pledges receivable	20,050	32,000
Prepaid expenses and other assets	17,635	27,953
Total current assets	130,470	344,836
FIXED ASSETS, net	6,699	3,150
INTANGIBLE ASSETS, net	100,514	119,356
TOTAL ASSETS	$ 237,683	$ 467,342
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 14,172	$ 17,482
Financial and material assistance grants payable	69,702	-
Accrued expenses	26,989	16,682
Total liabilities	110,863	34,164
NET ASSETS:		
Unrestricted	106,770	400,678
Temporarily restricted	20,050	32,500
Total net assets	126,820	433,178
TOTAL LIABILITIES AND NET ASSETS	$ 237,683	$ 467,342

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Membership dues	$ 1,374,050	-	1,374,050
Contributions	809,999	20,050	830,049
Net assets released from restrictions	32,500	(32,500)	-
Total revenues	2,216,549	(12,450)	2,204,099
EXPENSES:			
Program services:			
Medical and disability assistance	1,454,474	-	1,454,474
Veteran assistance	332,382	-	332,382
First responder and disaster relief	105,104	-	105,104
Special education initiatives	61,330	-	61,330
Total program services	1,953,290	-	1,953,290
Support services:			
Fundraising	340,883	-	340,883
Management and general	216,284	-	216,284
Total support services	557,167	-	557,167
Total expenses	2,510,457	-	2,510,457
CHANGE IN NET ASSETS	(293,908)	(12,450)	(306,358)
NET ASSETS, beginning of year	400,678	32,500	433,178
NET ASSETS, end of year	$ 106,770	20,050	126,820

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Membership dues	$ 1,678,105	-	1,678,105
Contributions	960,072	32,500	992,572
Donated goods and services	5,688	-	5,688
Total revenues	2,643,865	32,500	2,676,365
EXPENSES:			
Program services:			
Medical and disability assistance	1,125,651	-	1,125,651
Veteran assistance	347,699	-	347,699
First responder and disaster relief	134,928	-	134,928
Special education initiatives	102,400	-	102,400
Total program services	1,710,678	-	1,710,678
Support services:			
Fundraising	420,212	-	420,212
Management and general	268,818	-	268,818
Total support services	689,030	-	689,030
Total expenses	2,399,708	-	2,399,708
CHANGE IN NET ASSETS	244,157	32,500	276,657
NET ASSETS, beginning of year	156,521	-	156,521
NET ASSETS, end of year	$ 400,678	32,500	433,178

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Medical and Disability Assistance	Veteran Assistance	First Responder and Disaster Relief	Special Education Initiatives	Total Program Services	Fundraising	Management and General	Total Support Services	2017 Total
Financial and material assistance grants	$ 1,236,441	287,337	99,992	51,500	1,675,270	-	-	-	1,675,270
Salaries and wages	133,601	31,835	3,537	7,074	176,047	108,068	90,319	198,387	374,434
Professional services - non-program	950	-	-	-	950	26,033	84,403	110,436	111,386
Website and hosting	16,104	3,557	395	790	20,846	40,357	3,196	43,553	64,399
Program and office supplies	6,055	1,182	131	295	7,663	51,737	2,218	53,955	61,618
Depreciation and amortization	14,302	3,387	376	753	18,818	22,334	18,945	41,279	60,097
Rent and occupancy	10,982	2,601	289	578	14,450	35,872	5,143	41,015	55,465
Service fees	-	-	-	-	-	38,732	525	39,257	39,257
Employee benefits	9,016	1,529	170	340	11,055	8,724	7,864	16,588	27,643
Travel	5,526	954	75	-	6,555	8,360	3,671	12,031	18,586
Professional services - program	21,400	-	-	-	21,400	-	-	-	21,400
Marketing and advertising	97	-	139	-	236	666	-	666	902
Total expenses	$ 1,454,474	332,382	105,104	61,330	1,953,290	340,883	216,284	557,167	2,510,457

See notes to financial statements.

CHIVE CHARITIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Medical and Disability Assistance	Veteran Assistance	First Responder and Disaster Relief	Special Education Initiatives	Total Program Services	Fundraising	Management and General	Total Support Services	2016 Total
Financial and material assistance grants	$ 847,551	347,699	134,928	102,000	1,432,178	-	-	-	1,432,178
Salaries and wages	132,775	-	-	-	132,775	97,001	141,587	238,588	371,363
Professional services - non-program	-	-	-	-	-	43,141	78,482	121,623	121,623
Website and hosting	19,527	-	-	-	19,527	41,916	6,193	48,109	67,636
Program and office supplies	1,985	-	-	-	1,985	86,708	5,914	92,622	94,607
Depreciation and amortization	44,798	-	-	-	44,798	36,599	19,879	56,478	101,276
Rent and occupancy	6,679	-	-	-	6,679	31,851	3,510	35,361	42,040
Service fees	-	-	-	-	-	46,355	816	47,171	47,171
Employee benefits	14,841	-	-	-	14,841	12,832	11,039	23,871	38,712
Travel	13,646	-	-	-	13,646	9,669	1,398	11,067	24,713
Professional services - program	43,849	-	-	400	44,249	-	-	-	44,249
Marketing and advertising	-	-	-	-	-	14,140	-	14,140	14,140
Total expenses	$ 1,125,651	347,699	134,928	102,400	1,710,678	420,212	268,818	689,030	2,399,708

See notes to financial statements.

CHIVE CHARITIES

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (306,358)	$ 276,657
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	60,097	101,276
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	11,950	(32,000)
Prepaid expenses and other assets	10,318	(11,135)
Accounts payable	(3,310)	7,440
Financial and material assistance grants payable	69,702	-
Accrued expenses	10,307	(5,367)
Net cash (used in) provided by operating activities	(147,294)	336,871
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(6,440)	-
Purchases of intangibles	(38,364)	(113,180)
Net cash used in investing activities	(44,804)	(113,180)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(192,098)	223,691
CASH AND CASH EQUIVALENTS, beginning of year	284,883	61,192
CASH AND CASH EQUIVALENTS, end of year	$ 92,785	$ 284,883

See notes to financial statements.

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Unrestricted **-** Net assets not subject to donor-imposed stipulations.

Temporarily Restricted **-** Net assets subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time. Temporarily restricted net assets of $20,050 and $32,500 were restricted for time as of December 31, 2017 and 2016.

Permanently Restricted **-** Net assets subject to donor-imposed stipulations, which require them to be maintained permanently by the Organization. The Organization has not received any permanently restricted donations.

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

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

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

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

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

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

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

Pledges Receivable - Unconditional promises to give are recorded at their fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. All pledges were due for collection within one year as of December 31, 2017. No allowance for uncollectible pledges receivable has been recorded, as historically the Organization has not experienced significant uncollectible amounts.

Fixed Assets - The Organization capitalizes fixed asset purchases that exceed $1,000. Fixed assets are stated at cost unless received as a gift, in which case the asset is recorded at its fair value on the date of donation. Repairs and maintenance costs are expensed when incurred. The Organization calculates depreciation using the straight-line method based on the estimated useful lives of the assets ranging from three to seven years.

Intangible Assets - Intangible assets consist of a website which is amortized using the straight-line method over the estimated benefit period of three years.

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

Financial and Material Assistance Grants Payable - The Organization records financial and material assistance grants in the statements of activities upon award of unconditional promises to give amounts to recipient organizations and individuals. Grants approved but not distributed at year end are included in financial and material assistance grants payable on the statements of financial position. All grants were payable in less than one year at December 31, 2017.

Membership Dues and Contribution Revenue - The Organization considers membership dues to be contributions. All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as temporarily restricted net assets if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Goods and Services - Contributed services are recognized by the Organization if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated materials and other noncash donations, including legal fees, are recorded as contributions at their estimated fair values on the date received.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is a nonprofit organization that is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except as it relates to unrelated business income. The Organization did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2017 or 2016. The Organization files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets and change in net assets are unchanged due to these reclassifications.

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

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

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statements of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statements of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method. Entities will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

3. CONCENTRATION OF CREDIT RISK

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

4. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2017	2016
Computers	$ 22,307	$ 15,867
Furniture and fixtures	2,043	2,043
	24,350	17,910
Less accumulated depreciation	(17,651)	(14,760)
Total fixed assets, net	$ 6,699	$ 3,150

Depreciation expense totaled $2,891 and 3,980 for the years ended December 31, 2017 and 2016, respectively.

5. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2017:

	2017	2016
Website	$ 500,195	$ 461,831
Less accumulated amortization	(399,681)	(342,475)
Total intangible assets, net	$ 100,514	$ 119,356

Amortization expense totaled $57,206 and 97,296 for the years ended December 31, 2017 and 2016, respectively. Estimated amortization expense is as follows as of December 31, 2017:

2018	$ 60,270
2019	35,919
2020	4,325
Total	$ 100,514

6. DEFINED CONTRIBUTION 401(k) PLAN

The Organization participates in a 401(k) Plan (the "Plan"). The Plan is available to all employees over the age of 21 with six months of service with the Organization. Eligible employees can contribute to the Plan up to the maximum amount allowed by the Internal Revenue Service. The Organization makes matching contributions equal to 100% of the first 3% and 50% of the next 2% of the participants' contributions to the Plan plus additional discretionary profit sharing contributions. The Organization's contributions to the Plan were $4,803 and $10,251 for the years ended December 31, 2017 and 2016, respectively.

7. COMMITMENTS AND CONTINGENCIES

The Organization leases office space from a related party under a noncancellable operating lease which expired on February 28, 2018. Rental expense was $26,325 and $9,487 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments due during 2018 under this lease at December 31, 2017 totaled $6,000.

8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, members of the Board of Directors contributed $12,222 and $1,280, respectively, and a related entity contributed $20,500 and $35,200, respectively, to the Organization.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 30, 2018 (the date the financial statements were available to be issued).

During May 2018, the Organization entered into a non-cancelable operating lease agreement with a related party for office space expiring in February 2020. Future minimum lease payments under this new lease agreement are:

2018	$ 8,000
2019	9,984
2020	1,664
Total	$ 19,648