

onePULSE FOUNDATION, INC.

FINANCIAL STATEMENTS
(Audited)

For the year ended December 31, 2018

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
onePULSE Foundation, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of onePULSE Foundation, Inc. (onePULSE), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, cash flows, and functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 onePULSE'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 onePULSE'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 onePULSE Foundation, Inc. as of December 31, 2018 and the changes 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.

Emphasis of Matter

OnePULSE Foundation, Inc.'s financial statements conform to accounting standards pursuant to recently issued Financial Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* as described in Note 1.

June 19, 2019
Orlando, Florida

A handwritten signature in cursive script that reads "DeLard & Reilly".

onePULSE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash in banks	\$ 69,296
Unconditional promises to give	
Without donor restrictions	38,000
With donor restrictions	250,500
Merchandise inventory	12,715
Long-term unconditional promises to give	
with donor restrictions	682,506
Property and equipment	262,468
Intangible assets	19,157
	<u>\$ 1,334,642</u>

LIABILITIES AND NET ASSETS

Liabilities

Bank line of credit	147,146
Accounts payable	47,809
Accrued payroll and payroll taxes	8,305
Total liabilities	<u>203,260</u>

Net assets

Without donor restrictions	99,762
With donor restrictions	1,031,620
Total net assets	<u>1,131,382</u>
	<u>\$ 1,334,642</u>

See accountants' report and accompanying notes to the financial statements.

onePULSE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Support:			
Contributions from individuals	\$ 245,266	\$ 64,114	\$ 309,380
Contributions from businesses	107,635	43,419	151,054
Contributions from foundations and trusts	7,500	924,087	931,587
Special events, net of costs and expenses	108,074	-	108,074
In-kind donations	232,308	-	232,308
Total support	<u>700,783</u>	<u>1,031,620</u>	<u>1,732,403</u>
Revenue:			
Merchandise sales, net of costs	60,951		60,951
Investment income	114	-	114
Total revenue	<u>61,065</u>	<u>-</u>	<u>61,065</u>
 Total support and revenue	 <u>761,848</u>	 <u>1,031,620</u>	 <u>1,793,468</u>
 Expenses			
Program services	690,416		690,416
Supporting services:			
General and administrative	72,984		72,984
Fundraising	48,909	-	48,909
Total expenses	<u>812,309</u>	<u>-</u>	<u>812,309</u>
 Excess (deficiency) of support and revenue over expenses	 (50,461)	 1,031,620	 981,159
 Net assets, beginning of year	 <u>150,223</u>	 <u>-</u>	 <u>150,223</u>
 Net assets, end of year	 <u>\$ 99,762</u>	 <u>\$ 1,031,620</u>	 <u>\$ 1,131,382</u>

See accountants' report and accompanying notes to the financial statements.

onePULSE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31, 2018

Cash flows from operating activities	
Increase in net assets	\$ 981,159
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	12,857
Increase in merchandise inventory	(6,363)
Increase in promises to give	(971,006)
Decrease in prepaid expense	5,000
Increase in accounts payable	45,681
Decrease in accrued payroll and payroll taxes	<u>(6,302)</u>
Total adjustments	<u>(920,133)</u>
Net cash provided by operating activities	<u>61,026</u>
 Cash flows from financing activities	
Cash borrowed on bank line of credit	49,000
Repayment on bank line of credit	<u>(5,000)</u>
Net cash provided by financing activities	<u>44,000</u>
 Cash flows from investing activities	
Payments for website design and maintenance	(18,529)
Payments for the construction of interim memorial	<u>(148,443)</u>
Net cash used for investing activities	<u>(166,972)</u>
 Net decrease in cash	 (61,946)
 Cash, beginning of year	 <u>131,242</u>
 Cash, end of year	 <u>\$ 69,296</u>
 Supplementary information	
Interest paid during the year	\$ 6,201
 Other transaction not paid from cash funds	
In-kind donations capitalized in Memorial construction	\$ 135,075
Construction draws from line of credit	\$ 103,146

See accountants' report and accompanying notes to financial statements.

onePULSE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Salaries and wages	\$ 221,109	\$ 39,708	\$ 24,853	\$ 285,671
Payroll taxes	17,879	3,211	2,010	23,099
Employee benefits	775	139	87	1,001
Accounting	-	3,654	-	3,654
Advertising and promotion	91,895	-	-	91,895
Management fees	92,478	5,440	10,880	108,798
Public relations	67,825	-	-	67,825
Office expenses	10,489	1,884	1,179	13,552
Information technology	4,052	728	455	5,235
Occupancy	140,279	9,167	9,151	158,597
Travel	3,365	-	177	3,542
Conferences, conventions and meetings	3,457	-	-	3,457
Interest expense	-	6,201	-	6,201
Depreciation and amortization	12,857	-	-	12,857
Insurance	2,958	522	-	3,480
Community awareness	15,693	-	-	15,693
Bank charges and merchant fees	-	1,902	-	1,902
Telephone	1,983	233	117	2,333
Taxes and licenses	-	195	-	195
Training and education	655	-	-	655
Dues and subscriptions	2,667	-	-	2,667
Total expenses	<u>\$ 690,416</u>	<u>\$ 72,984</u>	<u>\$ 48,909</u>	<u>\$ 812,309</u>

See accountants' report and accompanying notes to financial statements.

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization and activities –The onePULSE Foundation (“the Foundation”) was incorporated by the owners of Pulse Nightclub to honor the 49 lives that were taken on June 12, 2016, their families, the 68 injured victims, and others who cared for them. OnePULSE is supported primarily through donor contributions intended to support construction and maintenance of a memorial, community grants to care for the survivors and victims’ families, endowed scholarships in the names of each of the victims, educational programs to promote amity among all segments of society and, ultimately, a museum showcasing the stories from the tragedy.

Financial statement presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, by which onePULSE is required to report 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.

The presentation and disclosures are consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) number 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, effective for years beginning after December 15, 2017. OnePULSE Foundation, Inc. adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe the categories of net assets throughout the financial statements, there are disclosures regarding liquidity and availability of resources (Note 6), and disclosures related to functional allocation of expenses applied to the Statement of Functional Expenses – page 6).

Basis of accounting - The financial statements of onePULSE have been prepared on the accrual basis of accounting in accordance with the accounting and reporting practices promulgated by the American Institute of Certified Public Accountants (AICPA) for not-for-profit organizations. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – For purposes of the statements of cash flows, onePULSE considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Foundation owns no near-term investments. All cash is held in bank deposits.

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

Promises to give – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give are recognized as revenues in the period received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

A conditional promise to give is not recorded as a contribution until the condition(s) on which it depends is substantially met.

Merchandise inventory – Inventory of promotional clothing and accessories is stated at the lower of cost (first-in, first-out basis) or market value.

Cash restricted to purchase property and equipment - Cash restricted to purchase property and equipment has been restricted by donors and is not available for operating purposes.

Property and equipment – The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, onePULSE reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives ranging from five years for furniture and equipment to thirty years for buildings.

Intangible assets – Intangible assets consist of documentary costs, amortized over a five-year period (\$3,415) and logo and trademark costs, the fair value (\$15,742) of which is annually evaluated by management and adjusted for impairment.

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

Contributed services – While onePULSE generally pays for services requiring specific expertise, certain amounts are reflected in the financial statements for donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. The Foundation received support from over 160 volunteers during the year.

Income taxes – onePULSE is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements. In addition, onePULSE has been classified as an organization that is not a private foundation under Section 509(a).

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

Cost allocation - The financial statements report certain categories of expenses that are attributable to program activities or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include compensation and benefits on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are similarly allocated.

Concentrations of credit risk – The operations of onePULSE Foundation Inc. are funded principally by contributions from the general public, businesses and foundations. Sustaining its operations is largely dependent upon maintaining a level of support sufficient to cover its cash flow needs.

Fair value of financial instruments – The fair value of onePULSE Foundation’s financial instruments – cash, promises to give, bank line of credit and other liability accounts are not estimated to be significantly different than the carrying amount based upon current rates at which the Foundation could borrow funds for the remaining maturities.

2. Cash in Banks

Cash and cash equivalents of onePULSE include checking accounts and a bank money market account. These cash balances are maintained in two different institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018, onePULSE had no uninsured cash balances at these financial institutions.

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

3. Net Assets with Donor Restrictions

Restrictions on net assets consist of the following categories at December 31, 2018:

Capital campaign		
Land acquisition and design costs	\$	50,143
Memorial Museum construction		824,087
Programs		
Scholarships		100,643
Amity		1,827
Town Hall		4,065
Grants to others		1,051
Website construction and maintenance		6,385
Special Event		
Community Run		43,419
		<u>\$ 1,031,620</u>

Capital campaign – The Foundation intends to acquire property to construct a museum as a memorial to the victims of the Pulse nightclub mass shooting. On October 30, 2018, the Foundation and Orange County, Florida entered into a funding agreement to acquire property and pay acquisition and design costs for the construction located in downtown Orlando. The County will provide up to \$10,000,000 through Excess Tourist Development Tax Revenue (TDT) as appropriated for capital projects. As of December 31, 2018, amounts raised for land acquisition, design and construction are restricted for the permanent memorial museum, including parking and ancillary needs.

Orange County’s contribution (grant) is contingent upon the Museum’s site acquisition and related title commitment, insurance, appraisals and other requirements enumerated in the agreement. Accordingly, the agreement meets the definition of a “conditional promise to give.” Under generally accepted accounting principles, a conditional promise to give is not recorded as a contribution until the condition(s) on which it depends is substantially met.

Scholarships - 49 renewable Legacy Scholarships, one in each of the victim’s names, the area of study to be designated by family members, up to \$10,000 per year. Scholarships can be for a four-year University/College, Community College, Vocational School, or Trade School for an Associates, Bachelors, Masters or Doctoral program. Scholarships can be awarded at any accredited higher education institution.

Amity program – part of the onePULSE Academy, the Foundation’s education program.

Town Hall - A community program used to promote Amity and Education. National experts host and participate on topics from the Memorial/Museum Process to How to End Hate.

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

3. Net Assets with Donor Restrictions, Continued

Grants to others – support to other organizations whose objectives and programs are aligned with the Foundation and directly assist those affected.

Website - Donations restricted to the Foundation’s technology needs.

Community Run – The Foundation sponsors its annual 4.9k “CommUNITY Rainbow Run” in June.

4. Unconditional Promises to Give

Unconditional promises to give consist of the following sources at December 31, 2018 with balances due from:

Individuals	\$ 28,000
Businesses	33,919
Foundations	<u>909,087</u>
	<u>\$ 971,006</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 6.75%, when the donor makes an unconditional promise to give to the Foundation. Management uses a discount rate which approximates the Foundation’s cost of borrowing consistent with that of its bank line of credit. The resulting unamortized discount associated with promises to give collectible beyond one year is \$92,494.

No allowance for doubtful accounts is recorded as management believes all promises to give are collectible. A promise to give is due from one foundation in four equal annual installments.

5. Contributed Services

Contributed services requiring specific expertise are reflected in the financial statements as in-kind donations and recorded as:

Interim Memorial construction	\$ 135,075
TV and radio advertising	65,000
Fair rental value of Interim Memorial site	28,233
Printing and brochures	<u>4,000</u>
Presented as in-kind donations	232,308
Special event venue services	<u>32,074</u>
	<u>\$ 264,382</u>

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

6. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of that date. Amounts not available include promises to give and various donor related funds restricted by purpose or time.

Financial assets at year-end:

Cash in banks	\$ 69,296
Unconditional promises to give	<u>971,006</u>
Total financial assets	1,040,302
Less those unavailable for general expenditures within one year due to:	
Promise to give collectible after one year	<u>682,506</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 357,796</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of unanticipated liquidity need, the Foundation also could draw upon \$152,854 available on its bank line of credit (see Note 8).

7. Property and Equipment

Property and equipment at December 31, 2018 consists of the following:

Photography equipment	\$ 1,805
Interim Memorial	251,589
Website	<u>21,657</u>
	275,051
Less accumulated depreciation and amortization	<u>(12,583)</u>
	<u>\$ 262,468</u>

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

8. Bank Line of Credit

At December 31, 2018, the Foundation is obligated for amounts borrowed on a \$300,000 bank line of credit collateralized by accounts receivable, inventory and property. Interest is payable monthly at 6.75% and is due on demand. The balance due at year-end is \$147,146. Interest expense for the year ended December 31, 2018 was \$6,201.

9. Related Party Transactions

OnePULSE Foundation, Inc. employs a social media and website services company whose corporate secretary is a Foundation trustee. Total design and social media expenses for the year ended December 31, 2018 was \$44,230 with an unpaid balance due of \$5,122 on December 31, 2018.

The Foundation leases real estate on the site of the former Pulse Night Club on which it constructed an interim memorial during the year ended December 31, 2018. The underlying property is owned by two limited liability companies whose owners include the Foundation's executive director and another family member. Lease terms provide for a nominal lease payment and lessee's obligation to pay applicable taxes and insurance over a two-year term expiring January 31, 2020. The fair rental value of the property exceeds the amount described in the lease. Accordingly, the Foundation treats the excess of fair value for the use of the property as an in-kind donation management estimates to be \$28,233 (based on 15,400 square feet of land at \$2 per foot for the eleven months of the year it occupied the property. The in-kind donation is offset in the financial statements as rent included in occupancy costs.

The Foundation's administrative offices are leased for \$1,400 per month on a month to month basis from a limited liability company whose owner has a familial relationship with a trustee.

Trustees and other organizations with whom they are affiliated contributed \$264,704 to the Foundation during the year ended December 31, 2018.

10. Concentrations of Risk and Contingencies

The Foundation receives substantially all of its revenue and support through contributions from foundations, businesses and individuals. It operates a major portion of its program activity from an interim memorial facility which it expects to replace by acquiring and developing a new site for construction of a permanent memorial museum. As described in Note 3, the consummation of its plan is subject to a grant appropriation from Orange County, Florida. The Foundation has set a \$45 million fundraising goal for the project. Meeting its goal and other operating needs is contingent upon the success of future fundraising endeavors.

onePULSE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

10. Concentrations of Risk and Contingencies, Continued

A long-term unconditional promise to give for \$1,000,000 from a single foundation is recorded in income (net of its unamortized present value discount of \$90,213) and is scheduled to be received in four equal annual payments beginning in 2019.

11. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through June 19, 2019, the date on which the financial statements were available to be issued.