



FORTIFY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020



Vredeveld Haefner LLC
CPAs and Consultants

FORTIFY, INC.

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INDEPENDENT AUDITORS' REPORT

May 17, 2021

Board of Directors
Fortify, Inc.
Aurora, Colorado

Report on the Financial Statements

We have audited the accompanying statement of financial position of Fortify, Inc. (a not-for-profit corporation), as of December 31, 2020, and the related statements of activities, 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 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 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 Fortify, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vredevelde Haefner LLC

FORTIFY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

Assets

Current assets

Cash and cash equivalents	\$ 1,182,554
Current portion of grants receivable	<u>388,682</u>

Total assets \$ 1,571,236

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	<u>\$ 35,404</u>
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Noncurrent liabilities

Note payable	36,700
Severance payable	<u>41,285</u>

Total noncurrent liabilities 77,985

Total liabilities 113,389

Net assets

Without donor restrictions	1,069,165
With donor restrictions	<u>388,682</u>

Total net assets 1,457,847

Total liabilities and net assets \$ 1,571,236

The accompanying notes are an integral part of these financial statements.

FORTIFY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 42,787	\$ -	\$ 42,787
Grants	306,474	50,000	356,474
Net assets released from restrictions			
Expiration of time restrictions	<u>329,000</u>	<u>(329,000)</u>	<u>-</u>
Total revenue and support	<u>678,261</u>	<u>(279,000)</u>	<u>399,261</u>
Expenses			
Program services	870,557	-	870,557
Supporting services			
Management and general	188,323	-	188,323
Resource development	<u>82,013</u>	<u>-</u>	<u>82,013</u>
Total expenses	<u>1,140,893</u>	<u>-</u>	<u>1,140,893</u>
Change in net assets	(462,632)	(279,000)	(741,632)
Net assets, beginning of year	<u>1,531,797</u>	<u>667,682</u>	<u>2,199,479</u>
Net assets, end of year	<u>\$ 1,069,165</u>	<u>\$ 388,682</u>	<u>\$ 1,457,847</u>

The accompanying notes are an integral part of these financial statements.

FORTIFY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Resource Development</u>	
Salaries and related expenses	\$ 592,127	\$ 146,760	\$ 82,013	\$ 820,900
Travel and lodging	35,150	627	-	35,777
Contractual services	97,088	7,495	-	104,583
Emergency fund	10,318	-	-	10,318
Interpretation and translation	18,676	-	-	18,676
Meals	10,728	-	-	10,728
Venue rent	22,536	-	-	22,536
Office rent	25,945	-	-	25,945
Utilities	539	-	-	539
Supplies	3,176	-	-	3,176
Graphic design and printing	5,209	-	-	5,209
Administration	-	27,319	-	27,319
Equipment	16,187	-	-	16,187
Dues and subscriptions	-	6,122	-	6,122
Communications	32,878	-	-	32,878
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 870,557</u>	<u>\$ 188,323</u>	<u>\$ 82,013</u>	<u>\$ 1,140,893</u>

The accompanying notes are an integral part of these financial statements.

FORTIFY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities	
Change in net assets	\$ (741,632)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Changes in operating assets and liabilities which provided (used) cash	
Grants receivable	279,000
Accounts payable and accrued expenses	(17,302)
Severance payable	<u>41,285</u>
Net cash provided by (used in) operating activities	<u>(438,649)</u>
Cash flows from financing activities	
Proceeds from issuance of note payable	<u>36,700</u>
Net increase (decrease) in cash and cash equivalents	(401,949)
Cash and cash equivalents, beginning of year	<u>1,584,503</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,182,554</u></u>

The accompanying notes are an integral part of these financial statements.

FORTIFY, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Fortify, Inc. (the Organization) is a 501(c)(3) not-for-profit corporation formed in 2012 that seeks to prevent and remedy human rights violations.

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in conformity with 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all demand and time deposits with an original maturity of 90 days or less and cash on hand to be cash and cash equivalents. The Organization's deposits are secured through FDIC insurance. At year-end and at times during the year, deposits exceed the maximum FDIC insurance coverage. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Equipment and Depreciation

Equipment is capitalized at cost or, if donated, at the estimated fair value at the date of donation. Acquisitions of property or equipment in excess of \$2,500 are capitalized while ordinary repairs are expensed. Depreciation is computed using the straight-line method over an estimated 5-year useful life of the related assets. All equipment to be utilized internationally is expensed in the period acquired.

Contributions and Grants Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants within the general scope of the Organization's mission are recorded as net assets without donor restriction except for multi-year grants which are recorded as net assets with donor restrictions subject to the passage of time.

FORTIFY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Functional Allocation of Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Functional Category</u>	<u>Basis of Allocation</u>
Salaries and related expenses	Estimates of time and effort by each employee submitted with each pay period.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has no provision for federal income taxes. In addition, the Organization has been classified as an organization that is not a private foundation under Section 509(a)(2). Generally, income tax returns filed within the last three years remain open and subject to audit by regulatory authorities. The Organization concludes that there are no significant uncertain tax positions requiring recognition in the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2020 and through the auditors' report date, the date the financial statements were available to be issued. No such events or transactions were identified.

2. LIQUIDITY AND AVAILABILITY

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities with donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization's financial assets at year-end are as follows:

Current financial assets at December 31, 2020	\$1,571,236
Less those unavailable for general expenditure within one year due to donor specified time or purpose restrictions	<u>388,682</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,182,554</u>

The Organization is supported by grants. Because some of these grants are on a reimbursement basis, the Organization must maintain sufficient resources to meet those responsibilities with grantors.

FORTIFY, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. NOTE PAYABLE

The Organization has a Payroll Protection Program loan note payable that was obtained under the program established by the U.S. government to provide relief to small businesses during the coronavirus pandemic. The loan matures two years from the date of initial disbursement with interest at 1.0% unless certain conditions are met in which case it may be partly or wholly forgiven.

4. SEVERANCE PROGRAM

The Organization maintains a severance program for full-time team members upon completing a predetermined vesting period, commonly established at six months. Up to 7.69% of the qualifying team member's salary is matched by the Organization as a set-aside for payout upon termination of the team member's employment with the Organization. Total contribution expense was \$42,050 for the year ended December 31, 2020.

5. LEASES

The Organization leased office space in Bangkok under an operating lease that required monthly payments of approximately \$1,567 and expired October 2020. The Organization verbally extended the lease with the landlord under the same terms and conditions through October 2021. Furthermore, the Organization leased an apartment in Cambridge, Massachusetts as part of a fellowship program which required monthly payments of \$1,950 and terminated March 2020. Total rental expense under the leases amounted to \$24,454 for the year ended December 31, 2020.

6. NET ASSETS

Net assets with donor restrictions at December 31, 2020 totaled \$388,682. The entire balance represents amounts that were time-restricted for future periods.

Net assets released from donor restrictions during the year ended December 31, 2020 totaled \$329,000. The entire balance represents amounts that were expiration of time restrictions.

7. CONTINGENCIES

The Organization receives grant funding which is subject to program compliance audits by the funding sources. The amount of expenditures which may be disallowed in the event of these audits cannot be determined, however, management believes such amounts would be immaterial.