

Solidaire Network, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2022

Solidaire Network, Inc.

Financial Statements
June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Solidaire Network, Inc.

Opinion

We have audited the accompanying financial statements of Solidaire Network, Inc. (“the Network”), which comprise the statement of financial position as of June 30, 2022; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Network as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Network and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Network’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Vienna, Virginia
September 14, 2022

Solidaire Network, Inc.

Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 12,108,860
Accounts receivable	122,684
Grants and contributions receivable	25,000
Interest receivable	3,333
Note receivable	500,000
Prepaid expenses	<u>16,268</u>

Total assets \$ 12,776,145

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 72,327
Grants payable	<u>7,185,000</u>

Total liabilities 7,257,327

Net Assets

Without donor restrictions	4,479,568
With donor restrictions	<u>1,039,250</u>

Total net assets 5,518,818

Total liabilities and net assets \$ 12,776,145

Solidaire Network, Inc.

Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue and Support			
Grants and contributions	\$ 4,130,829	\$ 3,741,799	\$ 7,872,628
In-kind contributions	20,000	-	20,000
Interest income	14,403	-	14,403
Other income	1,037	-	1,037
Net assets released from restrictions	<u>15,501,393</u>	<u>(15,501,393)</u>	<u>-</u>
Total operating revenue and support	<u>19,667,662</u>	<u>(11,759,594)</u>	<u>7,908,068</u>
Expenses			
Program services:			
Donor organizing and political education	918,617	-	918,617
Movement partnership and grantmaking	<u>10,169,988</u>	<u>-</u>	<u>10,169,988</u>
Total program services	<u>11,088,605</u>	<u>-</u>	<u>11,088,605</u>
Supporting services:			
Management and general	1,103,225	-	1,103,225
Fundraising	<u>277,674</u>	<u>-</u>	<u>277,674</u>
Total supporting services	<u>1,380,899</u>	<u>-</u>	<u>1,380,899</u>
Total expenses	<u>12,469,504</u>	<u>-</u>	<u>12,469,504</u>
Change in Net Assets from Operations	7,198,158	(11,759,594)	(4,561,436)
Non-Operating Activity			
Realized gains	<u>10,528</u>	<u>-</u>	<u>10,528</u>
Change in Net Assets	7,208,686	(11,759,594)	(4,550,908)
Net Assets, beginning of year	<u>(2,729,118)</u>	<u>12,798,844</u>	<u>10,069,726</u>
Net Assets, end of year	<u>\$ 4,479,568</u>	<u>\$ 1,039,250</u>	<u>\$ 5,518,818</u>

See accompanying notes.

Solidaire Network, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Supporting Services			Total Expenses
	Donor Organizing and Political Education	Movement Partnership and Grantmaking	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 504,491	\$ 618,238	\$ 1,122,729	\$ 421,614	\$ 168,164	\$ 589,778	\$ 1,712,507
Employee benefits	132,368	140,326	272,694	235,144	44,123	279,267	551,961
Payroll taxes	39,962	49,042	89,004	32,700	13,321	46,021	135,025
Consulting	156,199	125,545	281,744	218,619	52,066	270,685	552,429
Professional fees	71,200	75,000	146,200	69,481	-	69,481	215,681
Advertising and promotion	1,061	-	1,061	-	-	-	1,061
Bank and registration fees	-	-	-	12,333	-	12,333	12,333
Conferences and meetings	3,790	160	3,950	7,089	-	7,089	11,039
Dues and subscriptions	12	3,500	3,512	30,745	-	30,745	34,257
Grants and sponsorships	-	9,136,333	9,136,333	-	-	-	9,136,333
Information technology	6,282	10,717	16,999	22,853	-	22,853	39,852
Office expenses	3,165	9,828	12,993	45,519	-	45,519	58,512
Postage, shipping, and handling	13	1,261	1,274	2,943	-	2,943	4,217
Travel	74	38	112	4,185	-	4,185	4,297
Total Expenses	\$ 918,617	\$ 10,169,988	\$ 11,088,605	\$ 1,103,225	\$ 277,674	\$ 1,380,899	\$ 12,469,504

See accompanying notes.

Solidaire Network, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities	
Change in net assets	\$ (4,550,908)
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(84,337)
Grants and contributions receivable	10,096,400
Interest receivable	(3,333)
Prepaid expenses	(10,668)
Increase (decrease) in:	
Accounts payable and accrued expenses	30,518
Grants payable	<u>(4,970,000)</u>
Net cash provided by operating activities	<u>507,672</u>
Cash Flows from Investing Activity	
Issuance of note	<u>(500,000)</u>
Net cash used in investing activity	<u>(500,000)</u>
Net Increase in Cash and Cash Equivalents	7,672
Cash and Cash Equivalents, beginning of year	<u>12,101,188</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 12,108,860</u></u>

See accompanying notes.

Solidaire Network, Inc.

Notes to Financial Statements

June 30, 2022

1. Nature of Operations

Solidaire Network, Inc. (“the Network”) is a community of donor organizers who mobilize quickly to get critical resources and unprecedented amounts of solidarity to the frontlines of social justice movements. The Network works to fundamentally change economic, political, and cultural power systems by growing and nurturing a network of donor organizers to accompany movements for social and racial justice. The Network is supported by grants and contributions from individuals, foundations, and businesses.

Prior to July 1, 2020, the Network was operating under a fiscal sponsorship of the Tides Network, where a nonprofit organization confers its 501(c)(3) tax-exempt status to groups that are engaged in activities that serve the host’s mission, typically for a fee, before spinning off as an independent charitable organization.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Network’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

For the purpose of the statement of cash flows, the Network considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Solidaire Network, Inc.

Notes to Financial Statements

June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Network's accounts receivable are all due in less than one year and are recorded at net realizable value. The Network writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based on management's best estimate of the outstanding uncollectible accounts. No allowance for doubtful accounts is recorded at June 30, 2022, as management believes that all amounts are fully collectible.

Grants and Contributions Receivable

Grants and contributions receivable consist primarily of amounts due from individuals, foundations, and businesses. All grants and contributions receivable are expected to be collected within one year and are recorded at net realizable value. The Network periodically reviews an aging of its receivables for collection purposes on a case-by-case basis and writes off uncollectible items. No allowance for doubtful accounts is recorded at June 30, 2022, as management believes that all amounts are fully collectible.

Property and Equipment

Property and equipment acquisitions with a cost in excess of \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Repairs and maintenance costs are expensed as incurred. The Network did not hold any property and equipment at June 30, 2022.

Grants Payable and Grants Expenses

The Network moves money to movement organizations doing a wide range of work. Grant recommendations come from staff, movement leaders, members, and allies. Each fund has its own criteria and methods for moving money to movement groups. Each fund has a rolling grant cycle to identify critical work and movement partnerships. Longer term relationships with larger anchor organizations are also a way that each fund moves money to the frontlines for social change.

Solidaire Network, Inc.

Notes to Financial Statements

June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Grants Payable and Grants Expenses (continued)

Grant expenses are nonreciprocal and are expensed as unconditional contributions when grants are approved by the Network. All grants payable are expected to be paid out within one year and are recorded at net realizable value.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to satisfaction of grant conditions are reported as conditional grants in the statement of financial position. The Network reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Network's programs or to a future year. When a donor 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. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Network satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Network expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Network combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statement of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Solidaire Network, Inc.

Notes to Financial Statements

June 30, 2022

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statement of activities as in-kind contributions. In-kind contributions consist of donated consulting services. In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred.

Measure of Operations

The Network considers realized gains to be non-operating in nature and these activities are not included in the change in net assets from operations.

Use of Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Solidaire Network, Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for the Network's fiscal year ending June 30, 2023. Management continues to evaluate the potential impact of this update on the Network's financial statements.

Subsequent Events

In preparing these financial statements, the Network has evaluated events and transactions for potential recognition or disclosure through September 14, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Network strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management periodically reviews the Network's liquid asset needs and adjusts the cash and cash equivalent balances as necessary.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022:

Cash and cash equivalents	\$ 12,108,860
Accounts receivable	122,684
Grants and contributions receivable	25,000
Interest receivable	3,333
	<hr/>
Total financial assets	12,259,877
Less: restricted by donors for purpose and time	(1,039,250)
	<hr/>
Total available for general expenditures	<u><u>\$ 11,220,627</u></u>

Solidaire Network, Inc.

Notes to Financial Statements

June 30, 2022

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Network to significant concentrations of credit risk consist of cash and cash equivalents. The Network maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Network has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. At June 30, 2022, the Network maintained \$11,245,951 of total cash and cash equivalents in the Certificate of Deposit Account Registry Service (CDARS) Deposit Placement Program to ensure that all amounts are fully insured by FDIC. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

Substantial portions of the Network's revenues were generated from two donors, which totaled \$2,000,000 for the year ended June 30, 2022. This amount approximated 25% of the Network's total revenue and support for the year ended June 30, 2022. The Network has been developing a diverse donor base to support its future activities and to minimize reliance on a few significant donors. Any significant reduction in revenue and support may impact the Network's financial position and operations.

5. Note Receivable and Interest Receivable

Note receivable consists of a note issued on October 1, 2021 to a private corporation in the amount of \$500,000 for purchase of real estate. The full amount of the note is due on October 1, 2026. Interest is accrued at the rate of 4% on any unpaid balance and is due on a quarterly basis. The outstanding amount on this note was \$500,000 at June 30, 2022.

Interest income on this note totaled \$13,333 for the year ended June 30, 2022. Interest receivable on this note was \$3,333 at June 30, 2022.

Solidaire Network, Inc.

Notes to Financial Statements
June 30, 2022

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at June 30, 2022:

Purpose restricted – Illumination Fund	\$ 32,500
Time restricted funds	<u>1,006,750</u>
Total net assets with donor restrictions	<u><u>\$ 1,039,250</u></u>

7. Related Party Transactions

On December 1, 2020, the Network entered into a cost-sharing agreement (“the Agreement”) with Tides Advocacy, a 501(c)(4) social welfare organization that is an affiliate of Tides Network, to provide personnel, equipment, and facilities to Tides Advocacy. The Network and Tides Advocacy have agreed that it is in their mutual best interest to minimize duplicative expenses and to carry out their complimentary purposes in an economical and efficient manner, including the sharing of employees whose skills and knowledge will assist both organizations and the sharing of office space and equipment. The Agreement may be terminated at any time, upon provision of 30 days’ notice in writing to the other party.

For the year ended June 30, 2022, Tides Advocacy reimbursed \$325,371 to the Network for these costs. The Network had a receivable in the amount of \$104,740 from Tides Advocacy for the year ended June 30, 2022.

Additionally, during the year ended June 30, 2022, the Network’s Board members, their affiliated organizations, and the Network’s employees made contributions to the Network amounting to \$918,764.

8. Commitments and Contingencies

Co-Working Agreement

The Network maintained a co-working office space in Oakland, California that commenced on February 13, 2020 and was terminated in fiscal year 2022. Upon termination of the co-working office space agreement, the Network switched to a virtual office environment in fiscal year 2022.

Solidaire Network, Inc.

Notes to Financial Statements

June 30, 2022

8. Commitments and Contingencies (continued)

Grant Agreements

Grants received by the Network are governed by various guidelines and contractual agreements, and are subject to reimbursements for expenditures that are not committed to the purposes of the grants. Therefore, a contingency to refund amounts received in excess of allowable costs exists. Management is of the opinion that no material liability exists.

Service Organization

The Network uses a third-party organization as their professional employer organization. As such, this third-party organization is the employer of record for tax, benefits, and insurance purposes for the Network's employees. This co-employment relationship allows the Network to maintain direct control of the day-to-day activities of employees, while the third-party organization assumes the administrative functions of human resources and absorbs many employer-related liabilities.

9. Retirement Plan

In conjunction with the service organization relationship disclosed in Note 8, the Network sponsors a 401(k) plan ("the Plan") for all eligible employees. An employee becomes eligible to participate on the first day of employment. Employees may contribute to the plan, subject to Internal Revenue Service requirements. The Network matches employee contributions up to 4% of compensation for employees. Employer contributions totaled \$38,032 for the year ended June 30, 2022.

10. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses are recorded directly to specific programs and functions, using the direct allocation method. Expenses that are allocated include salaries, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

Solidaire Network, Inc.

Notes to Financial Statements
June 30, 2022

11. Income Taxes

The Network is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the year ended June 30, 2022, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Network are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Network's tax positions and concluded that the Network's financial statements do not include any uncertain tax positions.