

FORTH AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Year Ended December 31, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FORTH AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Forth and Affiliate
Portland, Oregon

We have audited the accompanying consolidated financial statements of Forth and Affiliate (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Consolidated 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Forth and Affiliate 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.

To the Board of Directors
Forth and Affiliate

Other Matters

Report on Summarized Comparative Information

We have previously audited Forth and Affiliate's 2017 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information presented on pages 12-14 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.



Portland, Oregon
March 21, 2019

FORTH AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018
(With Comparative Totals as of December 31, 2017)

ASSETS

	2018	2017
Cash and cash equivalents	\$ 1,205,743	\$ 769,465
Grants and contracts receivable	115,721	101,532
Prepaid expense	48,862	8,591
Fixed assets, net	6,881	8,946
Total assets	\$ 1,377,207	\$ 888,534

LIABILITIES AND NET ASSETS

Accounts payable	\$ 43,974	\$ 93,126
Accrued compensation	28,792	17,240
Deferred revenue	7,500	7,500
Deferred rent	19,688	-
Total liabilities	99,954	117,866
Net assets		
Without donor restrictions	537,508	696,241
With donor restrictions	739,745	74,427
Total net assets	1,277,253	770,668
Total liabilities and net assets	\$ 1,377,207	\$ 888,534

See notes to consolidated financial statements.

FORTH AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Revenues and other support				
Foundation grants	\$ 50,300	\$ 255,000	\$ 305,300	\$ 187,500
Clean fuels program	-	794,547	794,547	-
Donations	1,898	-	1,898	6,356
Government contracts	623,759	-	623,759	458,470
Membership dues	130,812	-	130,812	124,490
Program fees	177,324	-	177,324	63,217
Event income	267,085	-	267,085	168,126
Sponsorship	301,814	-	301,814	160,427
Other income	2,605	-	2,605	1,732
Interest income	2,598	-	2,598	4,728
	<u>1,558,195</u>	<u>1,049,547</u>	<u>2,607,742</u>	<u>1,175,046</u>
Net assets released from restriction	<u>384,229</u>	<u>(384,229)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,942,424</u>	<u>665,318</u>	<u>2,607,742</u>	<u>1,175,046</u>
Expenses				
Program services	1,896,794	-	1,896,794	1,672,159
Supporting services				
Management	155,779	-	155,779	137,055
Fundraising	48,584	-	48,584	41,583
Total expenses	<u>2,101,157</u>	<u>-</u>	<u>2,101,157</u>	<u>1,850,797</u>
Change in net assets	(158,733)	665,318	506,585	(675,751)
Net assets, beginning of year	<u>696,241</u>	<u>74,427</u>	<u>770,668</u>	<u>1,446,419</u>
Net assets, end of year	<u>\$ 537,508</u>	<u>\$ 739,745</u>	<u>\$ 1,277,253</u>	<u>\$ 770,668</u>

See notes to consolidated financial statements.

FORTH AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	PROGRAM SERVICES					SUPPORTING SERVICES		Total	
	Engage Consumers	Strong Well- Networked Industry	Demonstrate New Mobility Options	Secure Policy Changes	Total Program	Management	Fund-raising	2018	2017
Salaries	\$ 174,367	\$ 80,909	\$ 85,200	\$ 61,911	\$ 402,387	\$ 190,215	\$ 23,363	\$ 615,965	\$ 502,137
Payroll taxes and benefits	30,678	10,600	11,175	6,877	59,330	72,860	3,321	135,511	95,646
Contract and professional services	461,164	49,117	132,877	27,813	670,971	161,301	24	832,296	888,526
Grants awarded	-	-	-	-	-	-	-	-	15,000
Occupancy and telecommunications	19,716	-	-	-	19,716	31,053	-	50,769	25,707
Supplies and materials	4,812	2,990	429	53	8,284	15,389	-	23,673	49,865
Travel and meetings	13,836	35,474	2,991	12,916	65,217	35,606	275	101,098	96,978
Event expense	5,313	256,359	781	738	263,191	24,457	-	287,648	129,810
Equipment rental and maintenance	14,926	-	231	-	15,157	4,342	-	19,499	17,927
Insurance	-	-	-	-	-	28,822	-	28,822	20,593
Depreciation	-	-	-	-	-	2,064	-	2,064	2,472
Miscellaneous expense	-	-	-	600	600	3,182	30	3,812	3,258
Indirect expense	200,603	71,117	73,823	46,398	391,941	(413,512)	21,571	-	2,878
	\$ 925,415	\$ 506,566	\$ 307,507	\$ 157,306	\$ 1,896,794	\$ 155,779	\$ 48,584	\$ 2,101,157	\$ 1,850,797

See notes to consolidated financial statements.

FORTH AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 506,585	\$ (675,751)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,064	2,472
Changes in assets and liabilities:		
Grants and contracts receivable	(14,188)	189,966
Prepaid expenses	(40,271)	(8,591)
Accounts payable	(49,152)	32,016
Accrued compensation	11,552	9,856
Deferred rent	19,688	-
Deferred revenue	-	7,500
Net cash provided by (used in) operating activities	436,278	(442,532)
Cash flows from investing activities:		
Purchase of property and equipment	-	(10,322)
Change in cash and cash equivalents	436,278	(452,854)
Cash and cash equivalents, beginning of year	769,465	1,222,319
Cash and cash equivalents, end of year	\$ 1,205,743	\$ 769,465

See notes to consolidated financial statements.

FORTH AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

Forth (formerly known as Drive Oregon) is a nonprofit 501(c)(6) public-private partnership dedicated to accelerating the growth of the electric, shared and smart mobility industry and promoting greater adoption of these technologies in the Pacific Northwest and beyond. Forth has over 150 members from across the industry in the Pacific Northwest and beyond.

Forth is affiliated with Forth Mobility Fund, a 501(c)(3) philanthropic organization that supports research, public education, and other programming on how electric, shared and smart transportation choices can strengthen the economy.

Forth and Forth Mobility Fund (collectively, the Organization) conduct the following programs:

Engage Consumers – The Organization engages consumers and develops innovative new strategies to promote the broad range of electric, shared and smart mobility solutions. Working with diverse partners in an “ecosystem” approach, the organization ensures the Pacific Northwest remains a leading national market while creating and sharing best practices around the world. During 2018, the organization ran the nation’s first brand-neutral electric vehicle showroom; organized ride and drive events in Washington, Oregon, and California to promote electric mobility; and led a targeted regional marketing campaign to drive increased electric vehicle sales in Oregon and Washington.

Strong Well-Networked Industry – The Organization provides critical information, networking, and support to help the electric, shared and smart mobility industry grow and prosper. The Organization produces a major annual “roadmap” conference on electric, shared and smart mobility, which attracts a growing international audience to exchange information and best practices. During 2018, the organization hosted many industry networking events in Oregon and Washington; grew its membership base to over 150 members; and agreed to host the international EVS conference (the world’s largest electric mobility event) in Portland in 2020.

Demonstrate New Mobility Options – The Organization brings companies and communities together to test new electric, shared and smart mobility technologies and business models in real communities, particularly in the “living laboratory” of the Pacific Northwest and in traditionally underserved communities. During 2018, the organization ran projects to bring shared electric vehicles to low income communities, test electric assist bicycles as a mobility option, and educate ride share drivers on the benefits of driving electric.

Secure Policy Changes – New mobility technologies require new policy frameworks and incentives to promote their rapid adoption. The Organization gives a voice to the electric, shared and smart mobility industry in local, state, regional, and federal policy discussions. This work includes a focused commitment to diversity, equity and inclusion. During 2018, the organization worked to maintain an electric vehicle purchase incentive in Oregon which included an additional incentive for low-income individuals, and also supported over \$30 million worth of utility investments in transportation electrification.

FORTH AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* (“ASU 2016-14”). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

FORTH AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

The consolidated financial statements include those of Forth and Forth Mobility Fund. Both organizations are under common control since board members of Forth comprise a majority of the Board of the Mobility Fund. In accordance with generally accepted accounting principles, consolidation is required. All material inter-organizational transactions have been eliminated.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

The Organization classifies as cash and cash equivalents all checking, savings, money market accounts and all investments maturing within ninety days from the date of purchase.

Revenue Recognition

All contributions and grants are considered available for the unrestricted general operations of the Organization unless specifically restricted by a donor. Revenues for services are recognized at the time the services are provided and the revenues are earned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Forth has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(6) and applicable state laws. Forth Mobility Fund is tax-exempt under the Internal Revenue Code 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements. Neither organization believes it has unrelated trade or business income in excess of \$1,000.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

FORTH AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. 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 December 31, 2017, from which the summarized information was derived.

NOTE C – SIGNIFICANT SOURCES OF REVENUE AND LIMITATIONS THEREON

About \$795,000 of the Organization's revenue was derived from the State of Oregon's "Clean Fuels Program". This represents 30% of its 2018 revenues.

NOTE D – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. Cash maintained with financial institutions is insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2018, the Organization held cash of about \$817,000 in excess of FDIC coverage.

NOTE E – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Clean Fuels	\$ 632,672
EV in Communities of Color	96,250
Renewables	<u>10,823</u>
Total net assets with donor restrictions	\$ <u><u>739,745</u></u>

NOTE F – RETIREMENT PLAN

The Organization offers a tax-deferred 401(k) plan for all eligible employees. Forth provides a contribution of 3% of employee compensation. Employer contributions to the Plan for the year ended December 31, 2018 were \$9,151

FORTH AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE G – OPERATING LEASE COMMITMENTS

The Organization leases property and vehicles under non-cancelable operating leases, which expire in various years through 2024.

At December 31, 2018, minimum rental commitments are as follows:

Year ending December 31,	Office	Vehicles	Showcase	Total
2019	\$ 47,350	\$ 10,842	\$ 12,780	\$ 70,972
2020	83,420	-	3,195	86,615
2021	87,708	-	-	87,708
2022	92,217	-	-	92,217
2023	96,958	-	-	96,958
2024	25,486	-	-	25,486
	<u>\$ 433,139</u>	<u>\$ 10,842</u>	<u>\$ 15,975</u>	<u>\$ 459,956</u>

NOTE H – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 1,205,743
Grants and contracts receivable	<u>115,721</u>
Total financial assets	<u>1,321,464</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restriction	<u>739,745</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 581,719</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 21, 2019, which is the date the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

FORTH AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

	Forth	Forth Mobility Fund	Eliminations	Consolidated
Cash and cash equivalents	\$ 384,897	\$ 820,846	\$ -	\$ 1,205,743
Grants and contracts receivable	206,385	50,000	(140,664)	115,721
Prepaid expense	48,862	-	-	48,862
Fixed assets (net of accumulated depreciation)	6,881	-	-	6,881
Total assets	\$ 647,025	\$ 870,846	\$ (140,664)	\$ 1,377,207

LIABILITIES AND NET ASSETS

Accounts payable	\$ 53,237	\$ 131,401	\$ (140,664)	\$ 43,974
Accrued compensation	28,792	-	-	28,792
Deferred revenue	7,500	-	-	7,500
Deferred rent	19,688	-	-	19,688
Total liabilities	109,217	131,401	(140,664)	99,954
Net assets				
Without donor restrictions	537,808	(301)	-	537,507
With donor restrictions	-	739,746	-	739,746
Total net assets	537,808	739,445	-	1,277,253
Total liabilities and net assets	\$ 647,025	\$ 870,846	\$ (140,664)	\$ 1,377,207

The accompanying notes and independent auditors' report should be read in conjunction with the supplemental schedule.

FORTH AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	<u>Forth</u>	<u>Forth Mobility Fund</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues and other support				
Foundation grants	\$ 430,338	\$ 305,300	\$ (430,338)	\$ 305,300
Clean fuels program	-	794,547	-	794,547
Donations	869	1,029	-	1,898
Government contracts	623,759	-	-	623,759
Membership dues	130,812	-	-	130,812
Program fees	177,324	-	-	177,324
Event income	267,085	-	-	267,085
Sponsorship	301,814	-	-	301,814
Other income	2,605	-	-	2,605
Interest income	2,078	520	-	2,598
Total revenues and other support	<u>1,936,684</u>	<u>1,101,396</u>	<u>(430,338)</u>	<u>2,607,742</u>
Expenses				
Program services	1,882,919	444,213	(430,338)	1,896,794
Supporting services				
Management	155,779	-	-	155,779
Fundraising	48,584	-	-	48,584
Total expenses	<u>2,087,282</u>	<u>444,213</u>	<u>(430,338)</u>	<u>2,101,157</u>
Change in net assets	(150,598)	657,183	-	506,585
Net assets, beginning of year	<u>688,106</u>	<u>82,562</u>	<u>-</u>	<u>770,668</u>
Net assets, end of year	<u>\$ 537,508</u>	<u>\$ 739,745</u>	<u>\$ -</u>	<u>\$ 1,277,253</u>

The accompanying notes and independent auditors' report should be read in conjunction with the supplemental schedule.

FORTH AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

	Forth	Forth Mobility Fund	Eliminations	Consolidated
Cash flows from operating activities:				
Change in net assets	\$ (150,598)	\$ 657,183	\$ -	\$ 506,585
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	2,064	-	-	2,064
Changes in assets and liabilities:				
Grants and contracts receivable	(23,497)	(50,000)	59,309	(14,188)
Prepaid expenses	(40,271)	-	-	(40,271)
Accounts payable	(40,074)	50,231	(59,309)	(49,152)
Accrued compensation	11,552	-	-	11,552
Deferred rent	19,688	-	-	19,688
Net cash provided by (used in) operating activities	(221,136)	657,414	-	436,278
Cash flows from investing activities:				
Purchase of property and equipment	-	-	-	-
Change in cash and cash equivalents	(221,136)	657,414	-	436,278
Cash and cash equivalents, beginning of year	606,033	163,432	-	769,465
Cash and cash equivalents, end of year	\$ 384,897	\$ 820,846	\$ -	\$ 1,205,743

The accompanying notes and independent auditors' report
should be read in conjunction with the supplemental schedule.