CONSOLIDATED FINANCIAL STATEMENTS

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Invisible Children, Inc., and Subsidiaries
Washington, D.C.

We have audited the accompanying consolidated financial statements of Invisible Children, Inc., and Subsidiaries (collectively the Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2018 and 2017, and the changes in their net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Gelman Rosenberg & Freedman

February 24, 2019

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 642,188	$ 338,308
Grants receivable	454,886	-
Accounts receivable	68,224	30,300
Prepaid expenses	69,661	12,848
Total current assets	1,234,959	381,456
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of $274,750 and $282,876 in 2018 and 2017, respectively	251,452	1,012
OTHER ASSETS		
Security deposits	24,959	6,417
TOTAL ASSETS	**$ 1,511,370**	**$ 388,885**

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 669,802	$ 30,984
Deferred revenue	-	29,500
Total current liabilities	669,802	60,484
NET ASSETS		
Unrestricted	801,596	325,683
Temporarily restricted	39,972	2,718
Total net assets	841,568	328,401
TOTAL LIABILITIES AND NET ASSETS	**$ 1,511,370**	**$ 388,885**

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants and partnerships	$ 282,448	$ 150,000	$ 432,448
Government grants	4,067,353	-	4,067,353
General donations	269,329	1,857	271,186
Program revenue	29,500	-	29,500
Other income	4,368	-	4,368
Contributed goods and services	71,196	-	71,196
Net assets released from donor restrictions	114,603	(114,603)	-
Total support and revenue	4,838,797	37,254	4,876,051
EXPENSES			
Program Services:			
Advocacy and Awareness	119,277	-	119,277
Protection	3,526,600	-	3,526,600
Total program services	3,645,877	-	3,645,877
Supporting Services:			
General and Administrative	717,064	-	717,064
Development	32,472	-	32,472
Total supporting services	749,536	-	749,536
Total expenses	4,395,413	-	4,395,413
Changes in net assets before other item	443,384	37,254	480,638
OTHER ITEM			
Transfer of net assets	32,529	-	32,529
Total changes in net assets	475,913	37,254	513,167
Net assets at beginning of year	325,683	2,718	328,401
NET ASSETS AT END OF YEAR	**$ 801,596**	**$ 39,972**	**$ 841,568**

2017		
Temporarily		
Unrestricted	**Restricted**	**Total**
$ 536,667	$ 174,141	$ 710,808
-	-	-
339,960	2,567	342,527
325,168	-	325,168
4,124	-	4,124
47,211	-	47,211
176,891	(176,891)	-
1,430,021	(183)	1,429,838
131,446	-	131,446
1,171,052	-	1,171,052
1,302,498	-	1,302,498
304,467	-	304,467
61,474	-	61,474
365,941	-	365,941
1,668,439	-	1,668,439
(238,418)	(183)	(238,601)
-	-	-
(238,418)	(183)	(238,601)
564,101	2,901	567,002
$ 325,683	**$ 2,718**	**$ 328,401**

See accompanying notes to consolidated financial statements.

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			
	Advocacy and Awareness	**Protection**	**Total Program Services**	**General and Administrative**	**Development**	**Total Supporting Services**	**Total Expenses**
Salaries and related costs	$ 45,687	$ 805,373	$ 851,060	$ 305,219	$ 17,882	$ 323,101	$ 1,174,161
Contractors	-	432,827	432,827	-	-	-	432,827
Professional services	-	495,100	495,100	262,663	-	262,663	757,763
Supplies and equipment	3,223	762,706	765,929	17,282	86	17,368	783,297
Subawards	-	191,614	191,614	-	-	-	191,614
Travel	105	500,995	501,100	41,949	-	41,949	543,049
Communications	68,800	8,598	77,398	1,721	888	2,609	80,007
Rent	-	77,427	77,427	57,201	-	57,201	134,628
Office expenses	768	174,758	175,526	6,888	-	6,888	182,414
Insurance, fees and licenses	231	65,663	65,894	24,048	13,616	37,664	103,558
Total expense before depreciation and amortization	118,814	3,515,061	3,633,875	716,971	32,472	749,443	4,383,318
Depreciation and amortization	463	11,539	12,002	93	-	93	12,095
TOTAL	**$ 119,277**	**$ 3,526,600**	**$ 3,645,877**	**$ 717,064**	**$ 32,472**	**$ 749,536**	**$ 4,395,413**

See accompanying notes to consolidated financial statements.

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services			
	Advocacy and Awareness	**Protection**	**Total Program Services**	**General and Administrative**	**Development**	**Total Supporting Services**	**Total Expenses**
Salaries and related costs	$ 60,823	$ 172,247	$ 233,070	$ 179,421	$ 35,183	$ 214,604	$ 447,674
Contractors	-	201,254	201,254	-	-	-	201,254
Professional services	2,710	24,708	27,418	85,536	2,178	87,714	115,132
Supplies and equipment	6,410	1,438	7,848	5,532	1,599	7,131	14,979
Subawards	-	705,060	705,060	-	-	-	705,060
Travel	1,921	32,170	34,091	4,365	1,564	5,929	40,020
Communications	49,995	4,260	54,255	1,714	699	2,413	56,668
Rent	4,422	10,826	15,248	15,842	2,425	18,267	33,515
Office expenses	100	5,209	5,309	2,186	656	2,842	8,151
Insurance, fees and licenses	1,898	13,880	15,778	9,499	17,170	26,669	42,447
Total expense before depreciation and amortization	128,279	1,171,052	1,299,331	304,095	61,474	365,569	1,664,900
Depreciation and amortization	3,167	-	3,167	372	-	372	3,539
TOTAL	**$ 131,446**	**$ 1,171,052**	**$ 1,302,498**	**$ 304,467**	**$ 61,474**	**$ 365,941**	**$ 1,668,439**

INVISIBLE CHILDREN, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 513,167	$ (238,601)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	12,095	3,539
Loss on disposal of fixed assets	456	-
(Increase) decrease in:		
Grants receivable	(454,886)	-
Accounts receivable	(37,924)	(5,257)
Prepaid expenses	(56,813)	6,770
Security deposits	(18,542)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	638,818	14,158
Deferred revenue	(29,500)	-
Net cash provided (used) by operating activities	566,871	(219,391)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(262,991)	-
Net cash used by investing activities	(262,991)	-
Net increase (decrease) in cash and cash equivalents	303,880	(219,391)
Cash and cash equivalents at beginning of year	338,308	557,699
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 642,188**	**$ 338,308**

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Invisible Children, Inc., and Subsidiaries (collectively the Organization) includes Invisible Children, Inc., Invisible Children, Democratic Republic of Congo, and Invisible Children, Central African Republic. The three entities are commonly controlled; therefore, consolidated financial statements are presented.

The Organization was founded with the specific mission to end Africa's longest-running conflict, led by Joseph Kony and his Lord's Resistance Army (LRA). Since the Organization's founding, it has mobilized unprecedented international action to stop the LRA, helped reduce LRA killings by 93% and helped thousands of central African families become safer from violence through innovative protection programs.

In its more than 10 years working hand-in-hand with communities affected by the LRA, the Organization has developed unparalleled experience, respected expertise, and a strong network of relationships with community leaders across central Africa. Today, the Organization has utilized this experience to expand the scope of its mission and programs to protect communities in central Africa from many daily threats to their safety, which still includes LRA violence.

The Organization's current programs work to ensure our world's most isolated and vulnerable communities are free from violence and exploitation by focusing on 1) protection through connecting people to each other and the outside world, the prevention of violence, and community resilience, and 2) the advancement of effective policies through mobilizing groups of people to support international efforts that make children and families safer and through ensuring that affected populations are able to advocate for the needs of their community.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Principles of consolidation -

The accompanying consolidated financial statements include the accounts of the Organization pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. On July 1, 2017, the Organization consolidated Invisible Children, Inc. with its implementing partners, Invisible Children, Central African Republic and Invisible Children, Democratic Republic of Congo. In years prior to fiscal year 2018, the entities were not consolidated. All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents (continued) -

The Organization had $103,854 of cash and cash equivalents held in accounts in foreign countries at June 30, 2018 (there was none for the year ended June 30, 2017). The majority of these funds are uninsured.

Foreign currency translation -

The dollar ("Dollars") is the functional currency for the Organization's operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the date of the Consolidated Statements of Financial Position.

Grants and accounts receivable -

Grants and accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended June 30, 2018 and 2017 totaled $12,095 and $3,539, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statements of Activities and Changes in Net Assets, to its current fair value. No impairments were recorded for the years ended June 30, 2018 and 2017.

Income taxes -

Invisible Children, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Organization is not a private foundation.

Invisible Children, Democratic Republic of Congo, and Invisible Children, Central African Republic are registered charitable organizations under the laws and regulations of each respective country.

Uncertain tax positions -

For the years ended June 30, 2018 and 2017, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

Grants and partnerships -

Unrestricted and temporarily restricted grants and partnerships are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and partnerships are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

The Organization receives funding under grants from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Contributed goods and services -

Contributed goods and services consist mostly of donated advertising and legal services. Contributed goods and services are recorded at their fair value as of the date of the gift. The Organization received $71,196 and $47,211 of donated goods and services for the years ended June 30, 2018 and 2017, respectively, which benefited the Advocacy and Awareness and Protection programs.

In addition, volunteers have donated amounts of their time to the Organization; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the consolidated 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 reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets.

Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements not yet adopted -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organization's consolidated financial statements, it is not expected to alter the Organization's reported financial position.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Organization has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements not yet adopted (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organization plans to adopt the new ASUs at the respective required implementation dates.

2. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Computer equipment and software	$ 263,212	$ 276,379
Other equipment	12,463	7,509
Vehicles	250,527	-
Total fixed assets	526,202	283,888
Less: Accumulated depreciation and amortization	(274,750)	(282,876)
NET FIXED ASSETS	**$ 251,452**	**$ 1,012**

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Community Protection through Community Connection	$ 38,397	$ -
Sister Angelique Partnership	1,575	2,718
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 39,972**	**$ 2,718**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2018	2017
Community Protection through Community Connection	$ 111,603	$ -
Protection	-	174,141
Sister Angelique Partnership	3,000	2,750
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 114,603**	**$ 176,891**

4. JOINT COSTS

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses of the Organization on a functional basis are estimated for the years ended June 30, 2018 and 2017 as:

	2018	2017
Program Services:		
Web	$ 1,322	$ 2,658
Communications	68,227	50,302
Total program services	69,549	52,960
Supporting Services (Development):		
Web	147	288
Communications	321	1,114
Total supporting services	468	1,402
TOTAL EXPENSES	**$ 70,017**	**$ 54,362**

5. LEASE COMMITMENTS

The Organization leases office space in Washington, D.C. on a month-to-month basis. The Organization also has various short-term and month-to-month lease agreements in foreign countries.

Rent expense, including other facility costs and equipment rentals, for the years ended June 30, 2018 and 2017, was $139,413 and $36,053, respectively.

6. CONCENTRATION OF REVENUE

In October 2017, the Organization received notification of a significant award from the United States Agency for International Development (USAID). The period of performance of the award commenced on October 13, 2017 and terminates on October 12, 2022. The total award amount of $25,125,799 is obligated on a periodic basis. Additionally, the Organization received notification of an award from the United States Department of State (USDoS) in the amount of $445,960 for the period September 21, 2017 through March 31, 2019.

The total unliquidated balances of these awards have not been recorded as revenue (and grants receivable) due to the the conditional nature of the agreement and its reimbursable terms. Upon satisfactory completion of the contributions required under such agreements, the Organization will recognize revenue in the year those conditions have been met.

Approximately 83% of the Organization's revenue for the year ended June 30, 2018 was derived from grants awarded by agencies of the United States government. The Organization has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Organization's ability to finance ongoing operations.

7. CONTINGENCY

The Organization receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

8. TRANSFER OF NET ASSETS

The Organization consists of three legal entities (Invisible Children, Inc., Invisible Children, Democratic Republic of Congo, and Invisible Children, Central African Republic). Effective July 1, 2017, Invisible Children, Inc. amended its governance structure and Board composition to control a majority interest in the separate legal entities of its previous project implementation partners (Invisible Children, Democratic Republic of Congo and Invisible Children, Central African Republic). Accordingly, the net asset balances of the entities were transferred and are presented as an "Other Item" in the accompanying consolidated financial statements.

9. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 24, 2019, the date the consolidated financial statements were issued.