

Financial Statements

2016

Team Red, White & Blue, Inc.

December 31, 2016 and 2015



Financial Statements

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Independent Auditors' Report



Members of the Board of Directors
Team Red, White & Blue, Inc.
Tampa, Florida

We have audited the accompanying financial statements of Team Red, White & Blue, Inc. (the "Organization"), which are comprised of the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider internal control relevant to the Organization'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 Organization'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 Team Red, White & Blue, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stottman and Company PSC

Louisville, Kentucky
February 6, 2017

Statements of Financial Position

Team Red, White & Blue, Inc.

	December 31	
	2016	2015
Assets		
Cash and cash equivalents	\$ 1,478,395	\$ 1,646,909
Investments	537,174	248,745
Grants receivable		636,868
Inventory	568,372	709,833
Property and equipment, net of accumulated depreciation	55,174	28,675
Deposits	10,047	3,000
	<u>2,649,162</u>	<u>3,274,030</u>
Total Assets	\$ 2,649,162	\$ 3,274,030
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 78,501	\$ 244,862
Accrued expenses	77,552	14,764
	<u>156,053</u>	<u>259,626</u>
Total Liabilities	156,053	259,626
Net Assets		
Unrestricted	1,870,767	1,992,850
Temporarily restricted	622,342	1,021,554
	<u>2,493,109</u>	<u>3,014,404</u>
Total Net Assets	2,493,109	3,014,404
Total Liabilities and Net Assets	\$ 2,649,162	\$ 3,274,030

See Accompanying Notes to Financial Statements

Statements of Activities

Team Red, White & Blue, Inc.

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Support						
Revenues						
Merchandise sales	\$ 676,233	\$ 676,233	\$ 676,233	\$ 676,521	\$ 676,521	\$ 676,521
Support						
Contributions	1,307,645	\$ 24,046	1,331,691	1,652,396	\$ 21,779	1,674,175
Grants	890,067	150,000	1,040,067	640,000	100,000	740,000
Races and special events	1,484,823		1,484,823	596,897		596,897
Other fundraising events				165,685		165,685
In-kind contributions	1,251,449		1,251,449	560,261		560,261
Unrealized gain (loss) on investments	27,781		27,781	(14,046)		(14,046)
Investment income	9,023		9,023	5,202		5,202
Other income	3,587		3,587	6,009		6,009
Total Support	4,974,375	174,046	5,148,421	3,612,404	121,779	3,734,183
Net Assets Released From Restrictions	573,258	(573,258)		815,877	(815,877)	
Total Revenues and Support	6,223,866	(399,212)	5,824,654	5,104,802	(694,098)	4,410,704
Operating Expenses						
Program services	5,464,890		5,464,890	3,372,277		3,372,277
Management and general	598,584		598,584	335,426		335,426
Fundraising	282,475		282,475	138,741		138,741
Total Operating Expenses	6,345,949		6,345,949	3,846,444		3,846,444
Increase (Decrease) in Net Assets	(122,083)	(399,212)	(521,295)	1,258,358	(694,098)	564,260
Net Assets at Beginning of Year	1,992,850	1,021,554	3,014,404	734,492	1,715,652	2,450,144
Net Assets at End of Year	\$ 1,870,767	\$ 622,342	\$ 2,493,109	\$ 1,992,850	\$ 1,021,554	\$ 3,014,404

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Team Red, White & Blue, Inc.

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising
			Total			Total
Payroll and related expenses	\$ 1,556,882	\$ 305,350	\$ 2,004,416	\$ 1,056,834	\$ 145,227	\$ 1,313,262
National events	1,170,002	85,000	1,255,002	287,409		287,409
Races and special events	224,210		224,210	164,333		164,333
Other fundraising events		27,645	27,645		6,285	6,285
Camps				289,740		289,740
WOD with Warriors						
Outreach	130,422		130,422	23,531		23,531
Social events	149,700		149,700	69,808		69,808
Physical fitness expenses	81,253		81,253	95,821		95,821
Other chapter expenses	200,251		200,251	83,069		83,069
Travel and meetings	67,302		67,302	148,912		148,912
Leadership Development Program	485,456	64,768	145,240	30,413	39,793	83,572
Veteran Ambassador Program			485,456	41,360		41,360
Firebase expenses	81,825		81,825	236,522		236,522
Merchandise purchases	345,118		345,118	51,346		51,346
Merchandise shipping and warehousing	214,791		214,791	320,468		320,468
Leadership meetings	164,482		164,482	195,161		195,161
Advertising	282,543	28,119	310,662	105,286	12,577	105,286
Bank fees		98	98	99,680	195	112,257
Professional fees		76,181	76,181		46,148	195
Telephone and internet		6,743	6,743			46,148
Rent	48,412	31,921	80,333	3,397	3,397	3,397
Office expenses		23,519	23,519	28,787		28,787
Insurance		33,586	33,586	17,273		17,273
Contract services		23,976	23,976	15,836		15,836
In-kind goods	262,241		262,241	21,026		21,026
Depreciation		4,323	4,323	72,584	4,047	72,584
Miscellaneous expenses			14,476		1,120	4,047
						7,889
	\$ 5,464,890	\$ 598,584	\$ 6,345,949	\$ 3,372,277	\$ 335,426	\$ 138,741
						\$ 3,846,444

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Team Red, White & Blue, Inc.

	Year Ended December 31	
	2016	2015
Operating Activities		
(Decrease) increase in net assets	\$ (521,295)	\$ 564,260
Adjustments		
Depreciation expense	4,323	4,047
Realized gain on sale of investments	(9,023)	(5,202)
Unrealized (gain) loss on investments	(27,781)	14,046
Donation of investments	(1,625)	(1,252)
Changes in operating assets and liabilities		
Grants receivable	636,868	741,343
Deposits	(7,047)	
Inventory	141,461	(655,228)
Accounts payable	(166,361)	218,341
Accrued expenses	62,788	(1,859)
	<u>112,308</u>	<u>878,496</u>
Net Cash Provided By Operating Activities	112,308	878,496
Investing Activities		
Purchases of property and equipment	(30,822)	(2,187)
Purchase of Investments	(250,000)	(255,000)
	<u>(280,822)</u>	<u>(257,187)</u>
Net Cash Used In Investing Activities	(280,822)	(257,187)
Net (Decrease) Increase in Cash and Cash Equivalents	(168,514)	621,309
Cash and Cash Equivalents Beginning of Year	<u>1,646,909</u>	<u>1,025,600</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,478,395</u></u>	<u><u>\$ 1,646,909</u></u>

See Accompanying Notes to Financial Statements

Notes to the Financial Statements

Team Red, White & Blue, Inc.

December 31, 2016 and 2015

Note A--Nature of Activities

Team Red, White & Blue, Inc. (the "Organization") is a non-profit organization that enriches the lives of America's veterans by connecting them to their community through physical and social activities throughout the United States. The Organization has 205 locations operating in the United States and 4 internationally, whose operations are included in the accompanying financial statements. The Organization's primary sources of revenue are derived from races and special events, in-kind contributions of good and services, contributions, grants and merchandise sales.

Note B--Summary of Significant Accounting Policies

Basis of Accounting--The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation--The Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents--The Organization considers all highly liquid debt instruments purchased with maturities of less than ninety days to be cash equivalents.

Valuation of Investments--Investments in marketable securities with readily determinable fair values are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the statements of activities as unrestricted support. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Contributions and Grants--The Organization recognizes contributions and grants when received and considers them to be available to use without restrictions unless the donor stipulates otherwise. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions and grants whose restrictions are met in the same reporting period as received are reported as unrestricted contributions and grants.

Revenue Recognition--Sales of merchandise consist of apparel and other items depicting the Organization's logo purchased through online retail. The Organization recognizes revenue related to merchandise sales at the time of shipment when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Merchandise is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred.

Grants Receivable--Management periodically reviews the collectability of all receivables, and any amounts determined to be uncollectible are charged off to bad debt expense. As of December 31, 2015, management estimated that all receivable were fully collectible, consequently no allowance for bad debt expense has been recorded.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2016 and 2015

Note B--Summary of Significant Accounting Policies--Continued

Inventory--Inventory is stated at the lower of cost or market and consists of apparel and related merchandise sold through the Organization's website.

Property and Equipment--Property and equipment is stated at cost if purchased, or at fair value as of the date contributed. The Organization capitalizes purchases of equipment and furniture of greater than \$2,000. Depreciation is computed using the straight-line method over the estimated useful life of the related assets.

In-Kind Contributions--Contributions of merchandise and athletic gear are recorded at fair value and recognized as support and program service expenses in the accounting period when they are received. Contributions of legal and advertising services and rent are likewise recorded at fair value and recognized as general and administrative expenses. Contributions of property and equipment are recorded at fair value and capitalized on the statements of financial position.

Administrative operations are conducted in the residences of the Organization's Directors and Executive Officer's without cost. The Organization also receives free services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because these services do not meet the criteria for recording as support and expenses.

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

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was \$310,662 and \$112,257 during the years ended December 31, 2016 and 2015, respectively.

Fair Value of Financial Instruments--The carrying amounts for assets, other than property and equipment, and liabilities approximate their fair values due to their short maturity.

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes--The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements. The Organization had no unrelated business income during the years covered by these audits.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

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Note B--Summary of Significant Accounting Policies--Continued

Generally accepted accounting principles prescribe a comprehensive model for how an entity should measure, recognize, present and disclose in its financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. The Organization determined that it had no uncertain tax positions as of December 31, 2016 and 2015.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

The tax returns for the years ended December 31, 2013 through 2015 remain subject to examination by the Internal Revenue Service.

Note C--Investments and Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework to measure fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on significant unobservable inputs. The Organization does not have any Level 2 or Level 3 financial assets as of December 31, 2016 or 2015.

Fair values of investments are as follows:

	Value Using Level 1 Inputs	
	December 31	
	2016	2015
Cash equivalents	\$ 13,079	\$ 4,962
Exchange traded funds	524,095	243,534
Common stock		249
	<u>\$ 537,174</u>	<u>\$ 248,745</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

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Note D--Property and Equipment

Property and equipment consists of the following:

	December 31	
	2016	2015
Office equipment and furniture	\$ 16,862	\$ 13,539
Leasehold improvements	20,087	20,087
Website	27,500	
	64,449	33,626
Less accumulated depreciation	9,275	4,951
Net Property and Equipment	\$ 55,174	\$ 28,675

Note E--Restricted Net Assets

Temporarily restricted net assets consist of the following:

	January 1, 2016	Contributions and Grants	Released from Restrictions	December 31, 2016
Restricted for:				
Regional Chapter operations	\$ 897,156	\$ 174,046	\$ 548,860	\$ 522,342
Other operational expenses	124,398		24,398	100,000
	<u>\$ 1,021,554</u>	<u>\$ 174,046</u>	<u>\$ 573,258</u>	<u>\$ 622,342</u>
	January 1, 2015	Contributions and Grants	Released from Restrictions	December 31, 2015
Restricted for:				
Regional Chapter operations	\$ 1,262,652	\$ 21,779	\$ 387,275	\$ 897,156
2015 Operations	418,000		418,000	
Other operational expenses	35,000	100,000	10,602	124,398
	<u>\$ 1,715,652</u>	<u>\$ 121,779</u>	<u>\$ 815,877</u>	<u>\$ 1,021,554</u>

The Organization has no permanently restricted net assets.

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2016 and 2015

Note F--In-Kind Contributions

The Organization's received contributed goods and services for the following:

	December 31	
	2016	2015
Merchandise and athletic gear	\$ 180,437	\$ 352,443
Chapter expenses	185,072	85,943
Special events		85,095
Advertising and marketing fees	875,940	25,855
Professional fees	10,000	8,500
Rent		2,425
	<hr/>	<hr/>
Total In-Kind Contributions	\$ 1,251,449	\$ 560,261
	-	-

Note G--Operating Lease Commitments

The Organization leases office space under non-cancellable operating lease agreements. Rent expense was \$78,489 and \$28,787 for the years ended December 31, 2016 and 2015, respectively.

Future minimum annual payments under operating leases with initial or remaining non-cancelable terms of one year or more are as follows:

<u>Year Ended December 31,</u>	
2017	\$ 104,621
2018	107,731
2019	105,318
2020	80,267
2021 and beyond	48,244
	<hr/>
	\$ 446,181

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2016 and 2015

Note H--Concentrations

The Organization maintains its cash and cash equivalents at two financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures these balances up to \$250,000 at each institution. At December 31, 2016 and 2015, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$1,238,000 and \$1,264,000, respectively.

The Organization had a receivable from one grantor that accounted for 100% of the outstanding receivables as of December 31, 2015. This amount was received, in full, in 2016.

Note I--Retirement Plan

The Organization has a defined contribution 401(k) plan covering all employees after attaining the age of eighteen. The plan is subject to the provisions of the Employment Income Security Act of 1974 ("ERISA"). For the year ended December 31, 2016 the Organization made discretionary or matching contributions of \$20,795. No discretionary employer match was made during the year ended December 31, 2015.

Note J--Subsequent Events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Organization through February 6, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except as noted in the next paragraph.

In January 2017, the Organization received a commitment to be used in support of general programs of the Organization for the period January 2017 through December 2019. The commitment is in the amount of \$4,750,000 and is expected to be received in three installments. The first installment was received on January 20, 2017, in the amount of \$1,750,000. The second and third installments are scheduled for January 2018 and January 2019, each in the amount of \$1,500,000.