

Financial Statements

2018

Team Red, White & Blue, Inc.

December 31, 2018 and 2017



Financial Statements

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Change in Accounting Principle – Adoption of Financial Accounting Standards Board Accounting Standards Update

As noted in Note B, the Organization adopted the requirements of Financial Accounting Standards Board, Accounting Standards Update No. 2016-14 retroactive to 2017. Our opinion is not modified with respect to this matter.

Stottman and Company PSC
Louisville, Kentucky
February 20, 2019

Statements of Financial Position

Team Red, White & Blue, Inc.

	December 31	
	2018	2017
Assets		
Cash and cash equivalents	\$ 1,138,872	\$ 2,675,791
Investments	1,585,321	615,359
Accounts receivable	465,513	12,500
Grants receivable	110,000	400,000
New member inventory	434,875	397,639
Note receivable	18,773	89,804
Property and equipment, net of accumulated depreciation and amortization	560,629	505,106
Deposits	7,797	7,547
Total Assets	\$ 4,321,780	\$ 4,703,746
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 49,504	\$ 123,191
Accrued expenses	52,183	81,016
Total Liabilities	101,687	204,207
Net Assets		
Without donor restriction	3,849,614	3,635,045
With donor restriction	370,479	864,494
Total Net Assets	4,220,093	4,499,539
Total Liabilities and Net Assets	\$ 4,321,780	\$ 4,703,746

See Accompanying Notes to Financial Statements

Statements of Activities

Team Red, White & Blue, Inc.

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Revenues and Support						
Revenues						
Merchandise sales	\$ 41,431	\$	41,431	\$ 427,515	\$	427,515
Support						
Contributions	1,179,855	\$ 13,554	1,193,409	1,488,706	\$ 168,173	1,656,879
Grants	3,130,000		3,130,000	3,500,726	527,347	4,028,073
Races and special events	1,397,375	1,500	1,398,875	1,420,391		1,420,391
In-kind contributions	1,336,588		1,336,588	1,494,310		1,494,310
Investment income (loss)	(30,038)		(30,038)	77,006		77,006
Other income	2,658		2,658	400		400
Total Support	7,016,438	15,054	7,031,492	7,981,539	695,520	8,677,059
Net Assets Released From Restrictions	509,069	(509,069)		453,368	(453,368)	
Total Revenues and Support	7,566,938	(494,015)	7,072,923	8,862,422	242,152	9,104,574
Operating Expenses						
Program services	6,207,271		6,207,271	6,015,120		6,015,120
Management and general	787,562		787,562	768,423		768,423
Fundraising	357,536		357,536	314,601		314,601
Total Operating Expenses	7,352,369		7,352,369	7,098,144		7,098,144
Increase (Decrease) in Net Assets	214,569	(494,015)	(279,446)	1,764,278	242,152	2,006,430
Net Assets at Beginning of Year	3,635,045	864,494	4,499,539	1,870,767	622,342	2,493,109
Net Assets at End of Year	\$ 3,849,614	\$ 370,479	\$ 4,220,093	\$ 3,635,045	\$ 864,494	\$ 4,499,539

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Team Red, White & Blue, Inc.

	Year Ended December 31	
	2018	2017
Operating Activities		
Increase (decrease) in net assets	\$ (279,446)	\$ 2,006,430
Adjustments		
Depreciation and amortization expense	128,062	25,833
Net loss (gain) on investments	47,479	(63,973)
Donation of investments		(1,179)
Changes in operating assets and liabilities		
Accounts receivable	(453,013)	(12,500)
Grants receivable	290,000	(400,000)
Note receivable	71,031	
Non member inventory	(37,236)	80,929
Deposits	(250)	2,500
Accounts payable	(73,687)	44,690
Accrued expenses	(28,833)	3,464
	<u> </u>	<u> </u>
Net Cash Provided By (Used In)		
Operating Activities	(335,893)	1,686,194
Investing Activities		
Purchases of property and equipment	(183,585)	(475,765)
Purchase of investments	(1,017,441)	(13,033)
	<u> </u>	<u> </u>
Net Cash Used In Investing Activities	(1,201,026)	(488,798)
	<u> </u>	<u> </u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,536,919)	1,197,396
	<u> </u>	<u> </u>
Cash and Cash Equivalents Beginning of Year	2,675,791	1,478,395
	<u> </u>	<u> </u>
Cash and Cash Equivalents End of Year	<u>\$ 1,138,872</u>	<u>\$ 2,675,791</u>
	<u> </u>	<u> </u>
Non-Cash Financing and Investing Activities		
Sale of inventory through note receivable		<u>\$ 89,804</u>

See Accompanying Notes to Financial Statements

Notes to the Financial Statements

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

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 195 local chapters operating in the United States, 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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents--The Organization considers all highly liquid investments with maturities when purchased of three months or less, that are not designated for a specific purpose, 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, such contributions and grants are reclassified to net assets without donor restrictions 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.

New Member Inventory--Inventory is mainly made up of shirts and other items that are donated to the Organization by a third party. The Organization records the value of the inventory based on comparable prices found in the market. The inventory is managed by a third-party.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

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

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 and amortization is computed using the straight-line method over the estimated useful life of the related assets. Depreciation and amortization expense includes \$121,020 and \$20,155 of amortization expense and \$7,042 and 5,678 of depreciation expense during the fiscal years ended December 31, 2018 and 2017, respectively.

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 in-kind support and expenses.

Allocation of Functional Expenses--Most expenses are charged directly to program services, general and administrative, or fundraising based on specific identification. The salaries are allocated based on the percentage of hours worked toward a specific program by each employee. Rent and other occupancy costs are allocated based on space usage.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was \$697,373 and \$350,095 during the years ended December 31, 2018 and 2017, 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 ended December 31, 2018 or 2017.

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, 2018 or 2017.

Continued

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

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

New Accounting Pronouncement--During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note H).

Reclassifications--Certain reclassifications have been made to the 2017 financial statements in order for them to be in conformity with current year presentation. There was no effect on net assets as result of these reclassifications.

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, 2018 or 2017.

Fair values of investments are as follows:

	Value Using Level 1 Inputs	
	December 31	
	2018	2017
Cash equivalents	\$ 1,006,932	\$ 11,686
Exchange traded funds	578,389	603,673
	<u>\$ 1,585,321</u>	<u>\$ 615,359</u>

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

Note C--Investments and Fair Value Measurements

Investment income (loss), net of expenses was as follows:

	Years Ended December 31	
	2018	2017
Interest and dividends	\$ 17,441	\$ 13,033
Realized loss, net of investment fees	(1,554)	(1,421)
Unrealized gain (loss)	(45,925)	65,394
	<u>\$ (30,038)</u>	<u>\$ 77,006</u>

Note D--Note Receivable

On October 19, 2017, the Organization entered into a noninterest bearing note receivable with a retailer. The Organization transferred inventory with a value of \$89,804 to the retailer. Commencing on January 15, 2018, the retailer began making quarterly principal payments based on the cost of the inventory sold for that period. During 2018, \$71,031 of principal payments were made on this note receivable by the retailer. On May 19, 2019, the note is due in full regardless of the amount inventory sold at that point.

Note E--Conditional Grant

In January 2017, the Organization received a grant to be used in support of general programs of the Organization over a three-year period from January 2017 through December 2019. This grant contained certain annual milestones and commitments that the Organization was required to meet to obtain each annual installment payment. The grant is in the amount of \$4,750,000, receivable in three annual installments based on the Organization's ability to meet the requirements of this grant. The first installment was earned and received on January 28, 2017 in the amount of \$1,750,000 and was recorded on that date as unrestricted grant support. The second installment was received on January 11, 2018, and the third installment is scheduled to be received in January 2019, each in the amount of \$1,500,000, subject to the Organization meeting the grant requirements for each year. Management considers the remaining amount receivable to be conditional based on the Organization's ability to satisfy the grant requirements and thus this installment is not recorded in the Organization's 2018 financial statements.

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

Note F--Property and Equipment

Property and equipment consists of the following:

	December 31	
	2018	2017
Office equipment and furniture	\$ 28,804	\$ 32,331
Leasehold improvements	66,126	36,049
Software and website	613,875	471,834
	<u>708,805</u>	<u>540,214</u>
Less accumulated depreciation and amortization	148,176	35,108
	<u><u>560,629</u></u>	<u><u>505,106</u></u>
Net Property and Equipment	\$ 560,629	\$ 505,106

Note G--Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	January 1, 2018	Contributions and Grants	Released from Restrictions	December 31, 2018
Restricted for specific purposes:				
Regional Chapter operations	\$ 564,494	\$ 15,054	\$ 509,069	\$ 70,479
Other operational expenses	300,000			300,000
	<u>\$ 864,494</u>	<u>\$ 15,054</u>	<u>\$ 509,069</u>	<u>\$ 370,479</u>
	January 1, 2017	Contributions and Grants	Released from Restrictions	December 31, 2017
Restricted for specific purposes:				
Regional Chapter operations	\$ 522,342	\$ 495,520	\$ 453,368	\$ 564,494
Other operational expenses	100,000	200,000		300,000
	<u>\$ 622,342</u>	<u>\$ 695,520</u>	<u>\$ 453,368</u>	<u>\$ 864,494</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2018 and 2017

Note H--Liquidity and Availability of Financial Assets

The Organization's major sources of support are corporate grants and contributions, and even though this support can fluctuate significantly from year to year, the Organization has a strong cash position to cover its monthly financial obligations.

The following table reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	December 31	
	2018	2017
Cash and cash equivalents	\$ 1,138,872	\$ 2,675,791
Accounts receivable, to be collected in less than one year	594,286	502,304
Investments	<u>1,585,321</u>	<u>615,359</u>
Total financial assets, excluding noncurrent receivables	3,318,479	3,793,454
Contractual or donor-imposed restrictions:		
Cash restricted by donors for specific uses	<u>(370,479)</u>	<u>(864,494)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 2,948,000</u>	<u>\$ 2,928,960</u>

Note I--In-Kind Contributions

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

	Year Ended December 31	
	2018	2017
Merchandise and athletic gear	\$ 132,934	\$ 305,270
Chapter expenses	94,271	156,609
Advertising and marketing fees	1,099,243	850,000
Professional fees	<u>10,140</u>	<u>182,431</u>
Total In-Kind Contributions	<u>\$ 1,336,588</u>	<u>\$ 1,494,310</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

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Note J--Operating Lease Commitments

The Organization leases office space under non-cancellable operating lease agreements. Occupancy expense was \$213,352 and \$213,308 for the years ended December 31, 2018 and 2017, 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 Ending December 31</u>	
2019	\$ 138,705
2020	143,538
2021	<u>101,385</u>
	<u>\$ 383,628</u>

Note K--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, 2018 and 2017, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$1,030,000 and \$2,469,000, respectively.

Note L--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"). The Organization made discretionary or matching contributions of \$41,714 and \$35,940 to the plan for the years ended December 31, 2018 and 2017, respectively.

Note M--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 20, 2019, 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.