

Financial Statements

2015

Team Red, White & Blue, Inc.

December 31, 2015 and 2014



Strothman+Co

Financial Statements

Team Red, White & Blue, Inc.

December 31, 2015 and 2014

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Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600



Independent Auditors' Report

Members of the Board of Directors and Management
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, 2015 and 2014, 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, 2015 and 2014, 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.

Stathman and Company PSC
Louisville, Kentucky
February 19, 2016

Statements of Financial Position

Team Red, White & Blue, Inc.

	December 31	
	2015	2014
Assets		
Cash and cash equivalents	\$ 1,646,909	\$ 1,025,600
Investments	248,745	1,337
Contributions and grants receivable	636,868	1,378,211
Inventory	709,833	54,605
Property and equipment, net of accumulated depreciation	28,675	30,535
Deposit	3,000	3,000
	<u>3,000</u>	<u>3,000</u>
Total Assets	\$ 3,274,030	\$ 2,493,288
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 244,862	\$ 26,521
Accrued expenses	14,764	16,623
	<u>14,764</u>	<u>16,623</u>
Total Liabilities	259,626	43,144
Net Assets		
Unrestricted	1,992,850	734,492
Temporarily restricted	1,021,554	1,715,652
	<u>1,021,554</u>	<u>1,715,652</u>
Total Net Assets	3,014,404	2,450,144
Total Liabilities and Net Assets	\$ 3,274,030	\$ 2,493,288

See Accompanying Notes to Financial Statements

Statements of Activities

Team Red, White & Blue, Inc.

	Year Ended December 31, 2015		Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Support						
Revenues						
Merchandise sales	\$ 676,521		\$ 676,521	\$ 532,869		\$ 532,869
Support						
Contributions	1,652,396	\$ 21,779	1,674,175	1,098,736	\$ 1,772,851	2,871,587
Grants	640,000	100,000	740,000	288,000		288,000
Races and special events	596,897		596,897	784,449		784,449
Other fundraising events	165,685		165,685	112,775		112,775
In-kind contributions	560,261		560,261	634,063		634,063
Gain (loss) on investments	(14,046)		(14,046)	29		29
Other income	11,211		11,211	30,653		30,653
Total Support	3,612,404	121,779	3,734,183	2,948,705	1,772,851	4,721,556
Net Assets Released From Restrictions	815,877	(815,877)		78,988	(78,988)	
Total Revenues and Support	5,104,802	(694,098)	4,410,704	3,560,562	1,693,863	5,254,425
Operating Expenses						
Program services	3,372,277		3,372,277	2,744,766		2,744,766
Management and general	335,426		335,426	311,455		311,455
Fundraising	138,741		138,741	114,731		114,731
Total Operating Expenses	3,846,444		3,846,444	3,170,952		3,170,952
Increase (Decrease) in Net Assets	1,258,358	(694,098)	564,260	389,610	1,693,863	2,083,473
Net Assets at Beginning of Year	734,492	1,715,652	2,450,144	344,882	21,789	366,671
Net Assets at End of Year	\$ 1,992,850	\$ 1,021,554	\$ 3,014,404	\$ 734,492	\$ 1,715,652	\$ 2,450,144

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Team Red, White & Blue, Inc.

	Year Ended December 31, 2015			Year Ended December 31, 2014			
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising	Total
Payroll and related expenses	\$ 1,056,834	\$ 145,227	\$ 111,201	\$ 628,838	\$ 88,991	\$ 91,308	\$ 809,137
National events	287,409			153,661			153,661
Races and special events	164,333			214,440		1,542	215,982
Other fundraising events			6,285				
Camps	289,740			237,791			237,791
WOD with Warriors	23,531			44,796			44,796
Outreach	69,808			43,890			43,890
Social events	95,821			70,083			70,083
Physical fitness expenses	83,069			105,169			105,169
Other chapter expenses	148,912			123,579			123,579
Travel and meetings	30,413	39,793	13,366	38,112	31,734	6,869	76,715
Leadership Development Program	41,360			14,899			14,899
Veteran Ambassador Program	236,522			445,953			445,953
Firebase expenses	51,346			15,284	1,512		16,796
Merchandise purchases	393,052			367,781			367,781
Merchandise shipping and warehousing	195,161			145,592			145,592
Leadership meetings	105,286			62,792			62,792
Advertising	99,680	12,577		31,283	5,521		36,804
Bank fees		195			1,168		1,168
Professional fees		46,148			93,656		93,656
Telephone and internet		3,397			3,211		3,211
Rent		28,787			23,893		23,893
Office expenses		17,273			19,412		19,412
Insurance		15,836			13,737		13,737
Contract services		21,026			22,243		22,243
Depreciation		4,047		823	81		904
Miscellaneous expenses		1,120	7,889		6,296	15,012	21,308
	<u>\$ 3,372,277</u>	<u>\$ 335,426</u>	<u>\$ 138,741</u>	<u>\$ 2,744,766</u>	<u>\$ 311,455</u>	<u>\$ 114,731</u>	<u>\$ 3,170,952</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Team Red, White & Blue, Inc.

	Year Ended December 31	
	2015	2014
Operating Activities		
Increase in net assets	\$ 564,260	\$ 2,083,473
Adjustments		
Depreciation expense	4,047	904
Realized gain on sale of investments	(5,202)	18
Unrealized loss on investments	14,046	(29)
Donation of investments	(1,252)	(1,308)
Donation of property and equipment for office renovation		(19,483)
Changes in operating assets and liabilities		
Contributions and grants receivable	741,343	(1,308,211)
Inventory	(655,228)	37,755
Accounts payable	218,341	(105,685)
Accrued expenses	(1,859)	(83,605)
	<u>878,496</u>	<u>603,829</u>
Net Cash Provided By Operating Activities	878,496	603,829
Investing Activities		
Purchases of property and equipment	(2,187)	(11,956)
Purchase of Investments	(255,000)	
Proceeds from sale of investments		1,082
	<u>(257,187)</u>	<u>(10,874)</u>
Net Cash Used In Investing Activities	(257,187)	(10,874)
Net Increase in Cash and Cash Equivalents	621,309	592,955
Cash and Cash Equivalents Beginning of Year	<u>1,025,600</u>	<u>432,645</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,646,909</u></u>	<u><u>\$ 1,025,600</u></u>

See Accompanying Notes to Financial Statements

Notes to the Financial Statements

Team Red, White & Blue, Inc.

December 31, 2015 and 2014

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 120 chapters operating in the United States and 5 internationally, whose operations are included in the accompanying financial statements.

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 are included in the statement of activities as unrestricted gains. 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 statement 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.

Contributions and 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 and 2014, 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, 2015 and 2014

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 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 various functions.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was \$112,257 and \$36,804 during the years ended December 31, 2015 and 2014, 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 generally accepted accounting principles 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.

December 31, 2015 and 2014

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, 2015 and 2014.

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, 2012 through 2014 remain subject to examination by the Internal Revenue Service.

Note C--Receivables

Receivables consist of the following:

	December 31	
	2015	2014
Receivables from:		
Grants	\$ 636,868	\$ 1,218,780
Contributions		57,273
Races and special events		102,158
	<hr/>	<hr/>
Total Receivables	\$ 636,868	\$ 1,378,211

Note D--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, 2015.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2015 and 2014

Note D--Investments and Fair Value Measurements--Continued

Fair values of investments are as follows:

Investments at Fair Value

	Value Using Level 1 Inputs	
	December 31	
	2015	2014
Cash and cash equivalents	\$ 4,962	\$ 1,337
Exchange traded funds	243,534	
Common stock	249	
	<u>\$ 248,745</u>	<u>\$ 1,337</u>

Note E--Property and Equipment

Property and equipment consists of the following:

	December 31	
	2015	2014
Office equipment and furniture	\$ 13,539	\$ 11,352
Leasehold improvements	20,087	20,087
	33,626	31,439
Less accumulated depreciation	<u>4,951</u>	<u>904</u>
Net Property and Equipment	<u>\$ 28,675</u>	<u>\$ 30,535</u>

In 2014, the Organization renovated their office in Tampa, Florida. The amount capitalized included donated materials and labor of \$19,483.

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2015 and 2014

Note F--Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>January 1, 2015</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2015</u>
Restricted for:				
Regional Chapter operations	\$ 1,262,652	\$ 21,779	\$ 387,275	\$ 897,156
2015 Operations	418,000		418,000	
Other operational expenses	<u>35,000</u>	<u>100,000</u>	<u>10,602</u>	<u>124,398</u>
	<u>\$ 1,715,652</u>	<u>\$ 121,779</u>	<u>\$ 815,877</u>	<u>\$ 1,021,554</u>
	<u>January 1, 2014</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2014</u>
Restricted for:				
Regional Chapter operations	\$ 21,789	\$ 1,319,851	\$ 78,988	\$ 1,262,652
2015 Operations		418,000		418,000
Other operational expenses		<u>35,000</u>		<u>35,000</u>
	<u>\$ 21,789</u>	<u>\$ 1,772,851</u>	<u>\$ 78,988</u>	<u>\$ 1,715,652</u>

The Organization has no permanently restricted net assets.

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2015 and 2014

Note G--In-Kind Contributions

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

	December 31	
	2015	2014
Merchandise and athletic gear	\$ 352,443	\$ 513,100
Chapter expenses	85,943	55,660
Special events	85,095	
Advertising and marketing fees	25,855	
Professional fees	8,500	40,000
Property, equipment and labor		19,483
Rent	2,425	5,820
	<hr/>	<hr/>
Total In-Kind Contributions	\$ 560,261	\$ 634,063

Note H--Operating Lease Commitments

The Organization leases office space under non-cancellable operating lease agreements. Rent expense was \$28,787 and \$23,893 for the years ended December 31, 2015 and 2014, respectively. This includes \$2,425 and \$5,820 for the value of donated office space for the years ended December 31, 2015 and 2014, 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>	
2016	\$ 31,595
2017	32,543
2018	33,519
2019	8,441
	<hr/>
	\$ 106,098

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2015 and 2014

Note I--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, 2015 and 2014, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$1,264,000 and \$154,000, respectively.

The Organization had a receivable from one grantor that accounted for 100% and 81% of the outstanding receivables as of December 31, 2015 and 2014.

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 19, 2016, 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.