

Financial Statements

2019

Team Red, White & Blue, Inc.

December 31, 2019 and 2018



Financial Statements

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7



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, 2019 and 2018, 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, 2019 and 2018, 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.

Changes in Accounting Principle

As discussed in Note B, the Organization adopted the requirements of Financial Accounting Standards Board Accounting Standards Update No. 2014-09, retroactive to 2018. Our opinion is not modified with respect to this matter.

Stottman and Company PSC
Louisville, Kentucky
February 17, 2020

Statements of Financial Position

Team Red, White & Blue, Inc.

	December 31	
	2019	2018
Assets		
Cash and cash equivalents	\$ 387,719	\$ 1,138,872
Investments	795,450	1,585,321
Accounts receivable	15,034	465,513
Grants receivable		110,000
New member inventory	237,817	434,875
Note receivable		18,773
Property and equipment, net of accumulated depreciation and amortization	876,801	560,629
Deposits	7,047	7,797
	<u>2,319,868</u>	<u>4,321,780</u>
Total Assets	\$ 2,319,868	\$ 4,321,780
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 6,341	\$ 49,504
Accrued expenses	31,789	52,183
	<u>38,130</u>	<u>101,687</u>
Total Liabilities	38,130	101,687
Net Assets		
Without donor restriction	2,229,562	3,849,614
With donor restriction	52,176	370,479
	<u>2,281,738</u>	<u>4,220,093</u>
Total Net Assets	2,281,738	4,220,093
Total Liabilities and Net Assets	\$ 2,319,868	\$ 4,321,780

See Accompanying Notes to Financial Statements

Statements of Activities

Team Red, White & Blue, Inc.

	Year Ended December 31, 2019		Year Ended December 31, 2018			
	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	\$ 69,731	\$ 8,006	\$ 69,731	\$ 41,431	\$ 41,431	\$ 41,431
Support						
Contributions	777,917	\$ 8,006	785,923	1,179,855	\$ 13,554	1,193,409
Grants	2,583,770		2,583,770	3,130,000		3,130,000
Races and events	707,138		707,138	1,397,375	1,500	1,398,875
In-kind contributions	2,147,563		2,147,563	1,336,588		1,336,588
Investment income (loss)	261,589		261,589	(30,038)		(30,038)
Other income	3,674		3,674	2,658		2,658
Total Support	6,481,651	8,006	6,489,657	7,016,438	15,054	7,031,492
Net Assets Released From Restrictions	326,309	(326,309)		509,069	(509,069)	
Total Revenues and Support	6,877,691	(318,303)	6,559,388	7,566,938	(494,015)	7,072,923
Operating Expenses						
Program services	6,829,814		6,829,814	6,207,271		6,207,271
Management and general	1,212,645		1,212,645	787,562		787,562
Fundraising	455,284		455,284	357,536		357,536
Total Operating Expenses	8,497,743		8,497,743	7,352,369		7,352,369
Increase (Decrease) in Net Assets	(1,620,052)	(318,303)	(1,938,355)	214,569	(494,015)	(279,446)
Net Assets at Beginning of Year	3,849,614	370,479	4,220,093	3,635,045	864,494	4,499,539
Net Assets at End of Year	\$ 2,229,562	\$ 52,176	\$ 2,281,738	\$ 3,849,614	\$ 370,479	\$ 4,220,093

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Team Red, White & Blue, Inc.

	Year Ended December 31, 2019			Year Ended December 31, 2018				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll and related expenses	\$ 2,246,454	\$ 451,988	\$ 332,717	\$ 3,031,139	\$ 2,054,708	\$ 467,595	\$ 152,592	\$ 2,674,895
Miscellaneous expenses for:								
National events	2,162,390		26,386	2,188,776	1,327,105		99,202	1,426,307
Races and special events	180,317		20,835	201,152	297,937		46,974	344,911
Eagle Leadership Development Program	259,842			259,842	533,378			533,378
Outreach	195,634			195,634	182,720			182,720
Social events	96,873			96,873	177,319			177,319
Physical fitness expenses	119,495			119,495	91,350			91,350
Other chapter expenses	37,917			37,917	104,676			104,676
Travel and meetings	219,636	29,122	25,062	273,820	200,131	59,610	27,468	287,209
Firebase expenses	20,370			20,370	7,976	15,065		23,041
Merchandise shipping and warehousing	137,492			137,492	111,772			111,772
Leadership meetings	76,654			76,654	104,688			104,688
Advertising	515,534	376,679		892,213	641,327	56,046		697,373
Professional fees		215,742		215,742		69,545		69,545
Occupancy expense	158,857	26,591		185,448	183,100	30,252		213,352
Office expenses		10,595		10,595		12,539		12,539
Contract services		50,135		50,135		28,272		28,272
In-kind merchandise	312,373			312,373	109,200			109,200
Depreciation and amortization	89,976	52,185	22,267	164,428	60,778	48,440	18,844	128,062
Miscellaneous expenses		(372)	28,017	27,645	19,106	198	12,456	31,760
	<u>\$ 6,829,814</u>	<u>\$ 1,212,645</u>	<u>\$ 455,284</u>	<u>\$ 8,497,743</u>	<u>\$ 6,207,271</u>	<u>\$ 787,562</u>	<u>\$ 357,536</u>	<u>\$ 7,352,369</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Team Red, White & Blue, Inc.

	Year Ended December 31	
	2019	2018
Operating Activities		
Decrease in net assets	\$ (1,938,355)	\$ (279,446)
Adjustments		
Depreciation and amortization expense	164,428	128,062
Loss on disposal of equipment	1,326	
Unrealized net loss (gain) on investments	(217,355)	47,479
Changes in operating assets and liabilities		
Accounts receivable	450,479	(453,013)
Grants receivable	110,000	290,000
New member inventory	197,058	(37,236)
Deposits	750	(250)
Accounts payable	(43,163)	(73,687)
Accrued expenses	(20,394)	(28,833)
	<u>(1,295,226)</u>	<u>(406,924)</u>
Net Cash Used In Operating Activities	(1,295,226)	(406,924)
Investing Activities		
Payments on note receivable	18,773	71,031
Purchases of property and equipment	(481,926)	(183,585)
Purchase of investments	(442,774)	(1,017,441)
Proceeds from sale of investments	1,450,000	
	<u>544,073</u>	<u>(1,129,995)</u>
Net Cash Provided By (Used In) Investing Activities	544,073	(1,129,995)
Net Decrease in Cash and Cash Equivalents	(751,153)	(1,536,919)
Cash and Cash Equivalents Beginning of Year	1,138,872	2,675,791
Cash and Cash Equivalents End of Year	\$ 387,719	\$ 1,138,872

See Accompanying Notes to Financial Statements

Notes to the Financial Statements

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

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 200 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 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 support without donor restrictions. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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.

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 \$158,999 and \$121,020 of amortization expense and \$5,429 and \$7,042 of depreciation expense during the fiscal years ended December 31, 2019 and 2018, respectively.

Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

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

Revenue Recognition--The Organization generates revenues and support from various activities associated with its mission, such as races and events, merchandise sales, donations from various sources (including in-kind goods and services), and grants. Following is information about each key source of revenues.

- The Organization charges a fee for individuals to participate in Organization sponsored races and events or from events or races sponsored by others for which the Organization is the beneficiary. The Organization recognizes support in the statement of activities upon the completion of the event or race.
- Sales of merchandise consist of apparel and other items depicting the Organization's logo sold through an online retailer. The Organization recognizes revenue related to merchandise sales at the time of shipment when persuasive evidence of a contract exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable.
- Contributions and grants are earned from individual, corporate and foundation donations. Unless otherwise specified in an agreement, the Organization recognizes support when an agreement is signed and/or when a check is received. They are recorded as with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. 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. For multi-year grants, revenue is recognized in installments over the period specified or based on a payment schedule determined by the grantor.
- In-kind contributions consist of merchandise and athletic gear or services. They 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 management and general 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 officers without cost. The Organization also receives free services from a variety of unpaid volunteers.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

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

Allocation of Functional Expenses--Most expenses are charged directly to program services, management and general, 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 \$892,213 and \$697,373 during the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

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, 2019 or 2018.

New Accounting Pronouncements--During the year ended December 31, 2019, the Organization adopted Financial Accounting Standard Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, related to the timing of recognizing revenue. The core principle of the adoption of ASU 2014-09 consists of recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. Presentation and disclosure requirements include the disaggregation of revenue, contract balances, and determining the transaction price and performance obligations.

The standard has been applied retrospectively and it had no effect on the total net assets and December 31, 2018 balances of the Organization.

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

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, 2019 or 2018.

Level 1 Fair Value Measurements--The fair value of mutual funds is based on quoted net asset values of the shares held at year-end. The fair values of common stock and options, exchanged traded and closed end funds, hedge funds, and partnership interest in stock and bonds are based on quoted market prices.

Fair values of investments are as follows:

	Value Using Level 1 Inputs	
	December 31	
	2019	2018
Cash equivalents	\$ 8,779	\$ 1,006,932
Exchange traded funds	786,671	578,389
	<u>\$ 795,450</u>	<u>\$ 1,585,321</u>

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

	Yeas Ended December 31	
	2019	2018
Interest and dividends	\$ 44,234	\$ 17,441
Realized loss, net of investment fees	(4,480)	(1,554)
Unrealized gain (loss)	221,835	(45,925)
	<u>\$ 261,589</u>	<u>\$ (30,038)</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

Note D--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 was in the amount of \$4,750,000, and was earned in three annual installments based on the Organization's ability to meet the requirements of this grant. The third installment was received in January 2019, in the amount of \$1,500,000,

In January 2020, the Organization received another multi-year grant from the same donor in the amount of \$4,750,000, receivable in annual installments through December 31, 2022. Management will recognize the amount receivable as support in future years based on the Organization's ability to satisfy the grant requirements.

Note E--Property and Equipment

Property and equipment consists of the following:

	December 31	
	2019	2018
Office equipment and furniture	\$ 25,482	\$ 28,804
Leasehold improvements	174,403	66,126
Software and website	987,526	613,875
	1,187,411	708,805
Less accumulated depreciation and amortization	310,610	148,176
Net Property and Equipment	\$ 876,801	\$ 560,629

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

Note F--Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>January 1, 2019</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2019</u>
Restricted for specific purposes:				
Regional Chapter operations	\$ 70,479	\$ 8,006	\$ 26,309	\$ 52,176
Other operational expenses	<u>300,000</u>	<u> </u>	<u>300,000</u>	<u> </u>
	<u>\$ 370,479</u>	<u>\$ 8,006</u>	<u>\$ 326,309</u>	<u>\$ 52,176</u>
	<u>January 1, 2018</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2018</u>
Restricted for specific purposes:				
Regional Chapter operations	\$ 564,494	\$ 15,054	\$ 509,069	\$ 70,479
Other operational expenses	<u>300,000</u>	<u> </u>	<u> </u>	<u>300,000</u>
	<u>\$ 864,494</u>	<u>\$ 15,054</u>	<u>\$ 509,069</u>	<u>\$ 370,479</u>

Note G--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.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

Note G--Liquidity and Availability of Financial Assets--Continued

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	
	2019	2018
Cash and cash equivalents	\$ 387,719	\$ 1,138,872
Accounts receivable, to be collected in less than one year	15,034	594,286
Investments	<u>795,450</u>	<u>1,585,321</u>
Total financial assets, excluding noncurrent receivables	1,198,203	3,318,479
Less contractual or donor-imposed restrictions:		
Cash restricted by donors for specific uses	<u>52,176</u>	<u>370,479</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 1,146,027</u>	<u>\$ 2,948,000</u>

Note H--In-Kind Contributions

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

	Year Ended December 31	
	2019	2018
Merchandise and athletic gear	\$ 190,730	\$ 132,934
Chapter expenses	47,037	94,271
Advertising and marketing services	1,749,796	1,099,243
Legal services	<u>160,000</u>	<u>10,140</u>
Total In-Kind Contributions	<u>\$ 2,147,563</u>	<u>\$ 1,336,588</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

Note I--Operating Lease Commitments

The Organization leases office space under non-cancellable operating lease agreements. Occupancy expense was \$185,448 and \$213,352 for the years ended December 31, 2019 and 2018, 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>	
2020	\$ 143,538
2021	<u>101,385</u>
	<u>\$ 244,923</u>

Note J--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, 2019 and 2018, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$196,000 and \$1,030,000, respectively.

Note K--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 \$43,094 and \$41,714 to the plan for the years ended December 31, 2019 and 2018, respectively.

Note L--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 17, 2020, the date the financial statements were available to be issued, and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Continued

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2019 and 2018

Note L--Subsequent Events--Continued

As of December 31, 2019, the Organization had two offices, one in Washington D.C. and one in Atlanta, GA. In an effort to reduce expenses in 2020 and subsequent years, management of the Organization decided to close the Washington D.C. office and maintain Atlanta as the only brick-and-mortar headquarters location.

Note M--Future Accounting Standards

On February 25, 2016, the FASB issued ASU No. 2016-02 *Leases* (Topic 842). This new standard, which the Organization is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

In June 2018, the FASB issued ASU No. 2018-08, *Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This new standard, which the Organization is not required to adopt until its year ending December 31, 2020, is intended to provide a more robust framework about whether a transfer of assets is a contribution or an exchange transaction. This new standard will result in more grants and contracts being accounted for as contributions or conditional contributions than under current accounting guidance.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.