

Financial Statements

2014

Team Red, White & Blue, Inc.

December 31, 2014 and 2013



Financial Statements

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Independent Auditors' Report



Members of the Board of Directors
Team Red, White & Blue, Inc.
Louisville, Kentucky

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, 2014 and 2013, 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 audit 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, 2014 and 2013, 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
March 13, 2015

Statements of Financial Position

Team Red, White & Blue, Inc.

	December 31	
	2014	2013
Assets		
Cash and cash equivalents	\$ 1,025,600	\$ 432,645
Investments	1,337	1,100
Receivables	1,378,211	70,000
Inventory	54,605	92,360
Property and equipment, net of accumulated depreciation	30,535	
Deposit	3,000	3,000
	<u>3,000</u>	<u>3,000</u>
Total Assets	\$ 2,493,288	\$ 599,105
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 26,521	\$ 132,206
Accrued expenses	16,623	100,228
	<u>16,623</u>	<u>100,228</u>
Total Liabilities	43,144	232,434
Net Assets		
Unrestricted	734,492	344,882
Temporarily restricted	1,715,652	21,789
	<u>1,715,652</u>	<u>21,789</u>
Total Net Assets	2,450,144	366,671
Total Liabilities and Net Assets	\$ 2,493,288	\$ 599,105

See Accompanying Notes to Financial Statements

Statements of Activities

Team Red, White & Blue, Inc.

	Year Ended December 31	
	2014	2013
Unrestricted Net Assets		
Support and Revenues		
Contributions	\$ 1,098,736	\$ 1,366,467
Grants	288,000	125,217
Merchandise sales	532,869	264,026
Races and special events	784,449	184,666
Other fundraising events	112,775	
In-kind contributions	634,063	88,803
Other income	30,682	2,356
	<u>3,481,574</u>	<u>2,031,535</u>
Net Assets Released From Restrictions	<u>78,988</u>	<u>128,211</u>
	3,560,562	2,159,746
Expenses		
Program services	2,744,766	1,890,099
General and administrative	311,455	176,167
Fundraising	114,731	29,015
	<u>3,170,952</u>	<u>2,095,281</u>
	389,610	64,465
Temporarily Restricted Net Assets		
Contributions and grants	1,772,851	50,000
Net assets released from restrictions	<u>(78,988)</u>	<u>(128,211)</u>
	1,693,863	(78,211)
	2,083,473	(13,746)
Net Assets Beginning of Year	<u>366,671</u>	<u>380,417</u>
	<u>\$ 2,450,144</u>	<u>\$ 366,671</u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Team Red, White & Blue, Inc.

	Year Ended December 31, 2014			Year Ended December 31, 2013				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Payroll and related expenses	\$ 628,838	\$ 88,991	\$ 91,308	\$ 809,137	\$ 351,573	\$ 14,618	\$ 188	\$ 366,379
National events	51,458			51,458	139,479			139,479
Races and special events	316,643			316,643	197,568		13,819	211,387
Other fundraising events			1,542	1,542				
Camps	237,791			237,791	260,870			260,870
WOD with Warriors	44,796			44,796	56,996			56,996
Outreach	43,890			43,890	139,688			139,688
Social events	70,083			70,083	77,057			77,057
Physical fitness expenses	105,169			105,169	154,814			154,814
Other chapter expenses	123,579			123,579	24,731			24,731
Travel and meetings	38,112	31,734	6,869	76,715	48,503	14,679	12,397	75,579
Leadership Development Program	14,899			14,899				
Veteran Ambassador Program	445,953			445,953	163,067			163,067
Firebase expenses	15,284	1,512		16,796	152,126			152,126
Merchandise purchases	367,781			367,781				
Merchandise shipping	145,592			145,592	56,527			56,527
Leadership meetings	62,792			62,792	938			938
Advertising	31,283	5,521		36,804	58,867	10,359		69,226
Bank fees		1,168		1,168		11,794		11,794
Professional fees		93,656		93,656		47,931		47,931
Telephone and internet		3,211		3,211		4,105		4,105
Rent		23,893		23,893		6,234		6,234
Office expenses		19,412		19,412		13,888		13,888
Insurance		13,737		13,737		11,541		11,541
Contract services		22,243		22,243		30,650		30,650
Depreciation	823	81		904				
Miscellaneous expenses		6,296	15,012	21,308	7,295	10,368	2,611	20,274
	<u>\$ 2,744,766</u>	<u>\$ 311,455</u>	<u>\$ 114,731</u>	<u>\$ 3,170,952</u>	<u>\$ 1,890,099</u>	<u>\$ 176,167</u>	<u>\$ 29,015</u>	<u>\$ 2,095,281</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Team Red, White & Blue, Inc.

	Year Ended December 31	
	2014	2013
Operating Activities		
Increase (decrease) in net assets	\$ 2,083,473	\$ (13,746)
Adjustments		
Depreciation expense	904	
Realized loss on sale of investments	18	
Unrealized gain on investments	(29)	
Donation of investments	(1,308)	(1,100)
Donation of property and equipment for office renovation	(19,483)	
Changes in operating assets and liabilities		
Receivables	(1,308,211)	85,000
Inventory	37,755	(92,360)
Accounts payable	(105,685)	74,883
Accrued expenses	(83,605)	94,405
	<u>603,829</u>	<u>147,082</u>
Net Cash Provided By Operating Activities	603,829	147,082
Investing Activities		
Purchases of property and equipment	(11,956)	
Proceeds from sale of investments	1,082	
	<u>(10,874)</u>	<u></u>
Net Cash Used In Investing Activities	(10,874)	
Net Increase in Cash and Cash Equivalents	592,955	147,082
Cash and Cash Equivalents Beginning of Year	<u>432,645</u>	<u>285,563</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,025,600</u></u>	<u><u>\$ 432,645</u></u>

See Accompanying Notes to Financial Statements

Notes to the Financial Statements

Team Red, White & Blue, Inc.

December 31, 2014 and 2013

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 activity throughout the United States.

Note B--Summary of Significant Accounting Policies

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.

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.

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, 2014 and 2013, 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.

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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 \$36,804 and \$69,226 during the years ended December 31, 2014 and 2013, 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 conformity 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.

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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, 2014 or 2013.

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, 2011 through 2014 remain subject to examination by the Internal Revenue Service.

Reclassifications--Certain reclassifications have been made to the 2013 statement of financial position to conform to the 2014 presentation. There was no effect on the change in net assets as a result of these reclassifications.

Note C--Receivables

Receivables consist of the following:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Receivables from:		
Grants	\$ 1,218,780	\$ 70,000
Contributions	57,273	
Races and special events	102,158	
	<u>1,378,211</u>	<u>70,000</u>
Total Receivables	\$ 1,378,211	\$ 70,000

Receivables are expected to be collected as follows:

<u>Year Ended December 31,</u>	
2015	\$ 741,343
2016	636,868
	<u>\$ 1,378,211</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

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Note D--Property and Equipment

In 2014, the Organization renovated their office in Tampa, Florida. The amount capitalized included donated materials and labor of \$19,483. As of December 31, 2014, property and equipment consists of:

Office equipment and furniture	\$ 11,352
Leasehold improvements	<u>20,087</u>
	31,439
Less accumulated depreciation	<u>904</u>
Net Property and Equipment	<u><u>\$ 30,535</u></u>

Note E--Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<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>
	<u>January 1, 2013</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2013</u>
Restricted for:				
12 Specific Chapters	\$ 100,000		\$ (100,000)	
Regional Chapter operations		<u>50,000</u>	<u>(28,211)</u>	<u>21,789</u>
	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ (128,211)</u>	<u>\$ 21,789</u>

The Organization has no permanently restricted net assets.

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

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Note F--In-Kind Contributions

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

	December 31	
	2014	2013
Merchandise and athletic gear	\$ 513,100	\$ 25,788
Chapter expenses	55,660	15,105
Professional fees	40,000	45,000
Property, equipment and labor	19,483	
Rent	5,820	2,910
Total In-Kind Contributions	\$ 634,063	\$ 88,803

Note G--Operating Lease Commitments

The Organization leases office space under non-cancellable operating lease agreements. Rent expense was \$23,893 and \$6,234 for the years ended December 31, 2014 and 2013, respectively. This includes \$5,820 and \$2,910 for the value of donated office space for the years ended December 31, 2014 and 2013, 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>	
2015	\$ 30,675
2016	31,595
2017	32,543
2018	33,519
2019	8,441
	<u>\$ 136,773</u>

Notes to the Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2014 and 2013

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, 2014, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$154,000.

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

Note I--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 March 13, 2015, 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.