

Financial Statements

2017

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016



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, 2017 and 2016, 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, 2017 and 2016, 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, 2018

Statements of Financial Position

**Team Red, White & Blue, Inc.**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,675,791	\$ 1,478,395
Investments	615,359	537,174
Grants receivable	412,500	
Inventory	397,639	568,372
Note receivable	89,804	
Property and equipment, net of accumulated depreciation and amortization	505,106	55,174
Deposits	7,547	10,047
<b>Total Assets</b>	<b>\$ 4,703,746</b>	<b>\$ 2,649,162</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 123,191	\$ 78,501
Accrued expenses	81,016	77,552
<b>Total Liabilities</b>	204,207	156,053
<b>Net Assets</b>		
Unrestricted	3,635,045	1,870,767
Temporarily restricted	864,494	622,342
<b>Total Net Assets</b>	<b>4,499,539</b>	<b>2,493,109</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,703,746</b>	<b>\$ 2,649,162</b>

See Accompanying Notes to Financial Statements

Statements of Activities

**Team Red, White & Blue, Inc.**

	Year Ended December 31, 2017		Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Support</b>						
Revenues						
Merchandise sales	\$ 427,515		\$ 427,515	\$ 676,233		\$ 676,233
Support						
Contributions	1,488,706	\$ 168,173	1,656,879	1,307,645	\$ 24,046	1,331,691
Grants	3,500,726	527,347	4,028,073	890,067	150,000	1,040,067
Races and special events	1,420,391		1,420,391	1,484,823		1,484,823
In-kind contributions	1,494,310		1,494,310	1,251,449		1,251,449
Unrealized gain on investments	65,057		65,057	27,781		27,781
Investment income	11,949		11,949	9,023		9,023
Other income	400		400	3,587		3,587
<b>Total Support</b>	7,981,539	695,520	8,677,059	4,974,375	174,046	5,148,421
<b>Net Assets Released From Restrictions</b>	453,368	(453,368)		573,258	(573,258)	
<b>Total Revenues and Support</b>	8,862,422	242,152	9,104,574	6,223,866	(399,212)	5,824,654
<b>Operating Expenses</b>						
Program services	6,015,120		6,015,120	5,413,637		5,413,637
Management and general	768,423		768,423	649,837		649,837
Fundraising	314,601		314,601	282,475		282,475
<b>Total Operating Expenses</b>	7,098,144		7,098,144	6,345,949		6,345,949
<b>Increase (Decrease) in Net Assets</b>	1,764,278	242,152	2,006,430	(122,083)	(399,212)	(521,295)
<b>Net Assets at Beginning of Year</b>	1,870,767	622,342	2,493,109	1,992,850	1,021,554	3,014,404
<b>Net Assets at End of Year</b>	\$ 3,635,045	\$ 864,494	\$ 4,499,539	\$ 1,870,767	\$ 622,342	\$ 2,493,109

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

**Team Red, White & Blue, Inc.**

	Year Ended December 31, 2017			Year Ended December 31, 2016				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Payroll and related expenses	\$ 2,083,127	\$ 378,172	\$ 178,837	\$ 2,640,136	\$ 1,556,882	\$ 345,679	\$ 142,184	\$ 2,044,745
National events	1,121,150		85,175	1,206,325	1,113,480		101,670	1,215,150
Races and special events	249,665			249,665	280,732			280,732
Other fundraising events			14,489	14,489			10,975	10,975
Outreach	158,979			158,979	130,422			130,422
Social events	162,522			162,522	149,700			149,700
Physical fitness expenses	90,763			90,763	58,205			58,205
Other chapter expenses	162,830			162,830	200,251			200,251
Travel and meetings	100,194	52,286	17,291	169,771	67,302	64,768	13,170	145,240
Leadership Development Program	516,997			516,997	485,456			485,456
Firebase expenses	29,135			29,135	81,825			81,825
Cost of sales	374,452			374,452	345,118			345,118
Merchandise shipping and warehousing	110,724			110,724	214,791			214,791
Leadership meetings	159,664			159,664	187,530			187,530
Advertising	325,802	24,293		350,095	282,543	28,119		310,662
Bank fees		70		70		98		98
Professional fees		177,965		177,965		76,181		76,181
Occupancy expense	183,100	30,208		213,308	48,412	31,921		80,333
Office expenses		22,892		22,892		23,519		23,519
Contract services		72,915		72,915		23,976		23,976
In-kind goods	169,749			169,749	210,988	51,253		262,241
Depreciation and amortization	16,267	7,122	2,444	25,833		4,323		4,323
Miscellaneous expenses		2,500	16,365	18,865			14,476	14,476
	<u>\$ 6,015,120</u>	<u>\$ 768,423</u>	<u>\$ 314,601</u>	<u>\$ 7,098,144</u>	<u>\$ 5,413,637</u>	<u>\$ 649,837</u>	<u>\$ 282,475</u>	<u>\$ 6,345,949</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

**Team Red, White & Blue, Inc.**

	<b>Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Increase (decrease) in net assets	\$ 2,006,430	\$ (521,295)
Adjustments		
Depreciation and amortization expense	25,833	4,323
Realized gain on sale of investments	(11,949)	(9,023)
Unrealized gain on investments	(65,057)	(27,781)
Donation of investments	(1,179)	(1,625)
Changes in operating assets and liabilities		
Grants receivable	(412,500)	636,868
Deposits	2,500	(7,047)
Inventory	80,929	141,461
Accounts payable	44,690	(166,361)
Accrued expenses	3,464	62,788
	<u>1,673,161</u>	<u>112,308</u>
<b>Net Cash Provided By Operating Activities</b>	<b>1,673,161</b>	<b>112,308</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(475,765)	(30,822)
Purchase of investments		(250,000)
	<u>(475,765)</u>	<u>(280,822)</u>
<b>Net Cash Used In Investing Activities</b>	<b>(475,765)</b>	<b>(280,822)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,197,396</b>	<b>(168,514)</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>1,478,395</u>	<u>1,646,909</u>
<b>Cash and Cash Equivalents End of Year</b>	<u><u>\$ 2,675,791</u></u>	<u><u>\$ 1,478,395</u></u>
<b>Non-Cash Financing and Investing Activities</b>		
Sale of inventory through note receivable	<u><u>\$ 89,804</u></u>	

See Accompanying Notes to Financial Statements



Notes to the Financial Statements

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016

**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 210 locations 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 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 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, 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.

Continued

Notes to the Financial Statements--Continued

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016

**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 and amortization is computed using the straight-line method over the estimated useful life of the related assets. Depreciation and amortization expense includes \$20,155 and \$1,339 of amortization expense during the fiscal years ended December 31, 2017 and 2016, 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--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 \$350,095 and \$310,662 during the years ended December 31, 2017 and 2016, 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, 2017 or 2016.

Continued

Notes to the Financial Statements--Continued

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016

**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, 2017 or 2016.

Reclassifications--Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. There was no effect on the change in net assets resulting from 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, 2017 or 2016.

Fair values of investments are as follows:

	<b>Value Using Level 1 Inputs</b>	
	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash equivalents	\$ 11,686	\$ 13,079
Exchange traded funds	603,673	524,095
	<u>\$ 615,359</u>	<u>\$ 537,174</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 will make monthly principal payments based on the cost of the inventory sold for that period. On May 19, 2019, the note is due in full regardless of the amount inventory sold at that point.

Notes to the Financial Statements--Continued

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016

**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 and third installments are scheduled to be received in January 2018 and 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 amounts receivable to be conditional grants based on the Organization's ability to satisfy the grant requirements and thus these installments are not recorded in the Organization's 2017 financial statements.

**Note F--Property and Equipment**

Property and equipment consists of the following:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Office equipment and furniture	\$ 32,331	\$ 16,862
Leasehold improvements	36,049	20,087
Software and website	471,834	27,500
	540,214	64,449
Less accumulated depreciation and amortization	35,108	9,275
<b>Net Property and Equipment</b>	<b>\$ 505,106</b>	<b>\$ 55,174</b>

Notes to the Financial Statements--Continued

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016

**Note G--Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	<u>January 1, 2017</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2017</u>
Restricted for:				
Regional Chapter operations	\$ 522,342	\$ 495,520	\$ 453,368	\$ 564,494
Other operational expenses	<u>100,000</u>	<u>200,000</u>	<u>                    </u>	<u>300,000</u>
	<u>\$ 622,342</u>	<u>\$ 695,520</u>	<u>\$ 453,368</u>	<u>\$ 864,494</u>
	<u>January 1, 2016</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>December 31, 2016</u>
Restricted for:				
Regional Chapter operations	\$ 897,156	\$ 174,046	\$ 548,860	\$ 522,342
Other operational expenses	<u>124,398</u>	<u>                    </u>	<u>24,398</u>	<u>100,000</u>
	<u>\$ 1,021,554</u>	<u>\$ 174,046</u>	<u>\$ 573,258</u>	<u>\$ 622,342</u>

The Organization has no permanently restricted net assets.

**Note H--In-Kind Contributions**

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

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Merchandise and athletic gear	\$ 305,270	\$ 180,437
Chapter expenses	156,609	185,072
Advertising and marketing fees	850,000	875,940
Professional fees	<u>182,431</u>	<u>10,000</u>
<b>Total In-Kind Contributions</b>	<u>\$ 1,494,310</u>	<u>\$ 1,251,449</u>

Notes to the Financial Statements--Continued

**Team Red, White & Blue, Inc.**

December 31, 2017 and 2016

**Note I--Operating Lease Commitments**

The Organization leases office space under non-cancellable operating lease agreements. Occupancy expense was \$213,308 and \$80,333 for the years ended December 31, 2017 and 2016, 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>	
2018	\$ 167,560
2019	166,842
2020	143,538
2021	<u>101,385</u>
	<u>\$ 579,325</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, 2017 and 2016, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$2,469,000 and \$1,238,000, 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 \$35,940 and \$20,795 to the plan for the years ended December 31, 2017 and 2016, 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 6, 2018, 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.