

TEAM RIVER RUNNER, INCORPORATED

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

January 22, 2019

To the Board of Directors
Team River Runner, Incorporated
Rockville, MD

I have audited the accompanying financial statements of Team River Runner, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and change in net assets, cash flows, and functional expenses 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Team River Runner, Incorporated 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.

C. Michael Koon, CPA

TEAM RIVER RUNNER, INCORPORATED
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2017 and 2016

ASSETS

| | 2017 | 2016 |
|---------------------------------|------------|------------|
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 804,112 | \$ 660,848 |
| Grants receivable | 0 | 43,531 |
| Prepaid expenses | 28,331 | 24,641 |
| Supplies | 2,064 | 1,861 |
| Total current assets | 834,507 | 730,881 |
| <i>Kayaks and equipment</i> | | |
| Kayaks and boating equipment | 365,572 | 350,519 |
| Vehicles | 176,214 | 169,101 |
| Furniture and equipment | 7,708 | 7,708 |
| | 549,494 | 527,328 |
| Less: accumulated depreciation | (433,595) | (362,994) |
| Total kayaks and equipment, net | 115,899 | 164,334 |
| Total assets | \$ 950,406 | \$ 895,215 |

LIABILITIES AND NET ASSETS

| | | |
|--|------------|------------|
| <i>Current liabilities</i> | | |
| Accounts payable and accrued expenses | \$ 8,777 | \$ 211,020 |
| Total current liabilities | 8,777 | 211,020 |
| <i>Net assets</i> | | |
| Unrestricted net assets | 941,629 | 629,147 |
| Temporarily restricted net assets - Note 3 | 0 | 55,048 |
| Total net assets | 941,629 | 684,195 |
| Total liabilities and net assets | \$ 950,406 | \$ 895,215 |

See independent auditor's report and notes to financial statements

TEAM RIVER RUNNER, INCORPORATED
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

| | Year Ended December 31, | | | | | |
|--|-------------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | 2017 | | | 2016 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| <i>Revenue</i> | | | | | | |
| Contributions | \$ 326,184 | \$ - | \$ 326,184 | \$ 278,087 | \$ 34,850 | \$ 312,937 |
| Grants | | 229,347 | 229,347 | 156,351 | 61,067 | 217,418 |
| Special events revenue, net of expenses | 451,105 | - | 451,105 | 360,459 | - | 360,459 |
| | <u>777,289</u> | <u>229,347</u> | <u>1,006,636</u> | <u>794,897</u> | <u>95,917</u> | <u>890,814</u> |
| Interest and other revenue | 46 | - | 46 | 109 | - | 109 |
| Net assets released from restriction - satisfaction of program restrictions | <u>0</u> | <u>-</u> | <u>-</u> | <u>66,590</u> | <u>(66,590)</u> | <u>-</u> |
| Total revenue | <u>777,335</u> | <u>229,347</u> | <u>1,006,682</u> | <u>861,596</u> | <u>29,327</u> | <u>890,923</u> |
| <i>Expenses</i> | | | | | | |
| Program | 482,624 | - | 482,624 | 447,918 | - | 447,918 |
| General and administrative | 217,800 | - | 217,800 | 215,701 | - | 215,701 |
| Fundraising | 48,825 | - | 48,825 | 74,292 | - | 74,292 |
| Total expenses | <u>749,249</u> | <u>-</u> | <u>749,249</u> | <u>737,911</u> | <u>-</u> | <u>737,911</u> |
| Increase in net assets | 28,086 | 229,347 | 257,433 | 123,685 | 29,327 | 153,012 |
| Net assets - beginning of year | <u>629,147</u> | <u>55,048</u> | <u>684,195</u> | <u>505,462</u> | <u>25,721</u> | <u>531,183</u> |
| Net assets - end of year | <u>\$ 657,233</u> | <u>\$ 284,395</u> | <u>\$ 941,628</u> | <u>\$ 629,147</u> | <u>\$ 55,048</u> | <u>\$ 684,195</u> |

See independent auditor's report and notes to financial statements

TEAM RIVER RUNNER, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

| | 2017 | 2016 |
|--|------------|------------|
| <i>CASH FLOWS FROM OPERATING ACTIVITIES</i> | | |
| Increase in net assets | \$ 257,433 | \$ 153,012 |
| Adjustments to reconcile increase in net assets to net cash (provided by) operating activities: | | |
| Depreciation | 70,601 | 84,642 |
| Decrease (increase) in grants receivable | 43,531 | (32,548) |
| (Increase) in prepaid expenses | (3,689) | (14,091) |
| (Increase) in supplies | (203) | 0 |
| Decrease in prepaid expenses | - | 0 |
| Increase (decrease) in accounts payable and accrued expenses | (202,243) | 89,925 |
| Net cash provided by operating activities | 165,430 | 280,940 |
| <i>CASH FLOWS FROM INVESTING ACTIVITIES</i> | | |
| Purchases of kayaks and equipment | (22,166) | (36,124) |
| Net cash (used by) investing activities | (22,166) | (36,124) |
| Net increase in cash and cash equivalents | 143,264 | 244,816 |
| Cash and cash equivalents - beginning of year | 660,848 | 416,032 |
| Cash and cash equivalents - end of year | \$ 804,112 | \$ 660,848 |

See independent auditor's report and notes to financial statements

TEAM RIVER RUNNER, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------|-------------------|---------------------------------------|--------------------|-------------------|
| <i>EXPENSES</i> | | | | |
| Salaries and benefits | \$ 48,207 | \$ 158,489 | \$ 24,063 | \$ 230,759 |
| Program expense | 184,735 | 2,879 | 4,529 | 192,143 |
| Kayak equipment and supplies | 50,573 | - | - | 50,573 |
| Depreciation | 70,601 | - | - | 70,601 |
| Outside services | 69,317 | 1,933 | - | 71,250 |
| Miscellaneous | - | 1,256 | - | 1,256 |
| Rent | 23,151 | 7,406 | 7,406 | 37,963 |
| Insurance | 1,524 | 15,408 | - | 16,932 |
| Accounting (in-kind) | - | 15,971 | - | 15,971 |
| Other costs | 2,395 | - | 654 | 3,049 |
| Fundraising fees | - | - | 2,851 | 2,851 |
| Promotional items | 9,390 | 2,706 | 3,820 | 15,916 |
| Telephone | 2,704 | 3,914 | 498 | 7,116 |
| Veteran Training | 6,047 | - | - | 6,047 |
| Office expense | 7,355 | 7,523 | 1,839 | 16,717 |
| Dues and subscriptions | 2,500 | 315 | - | 2,815 |
| Awards | 780 | - | - | 780 |
| Staff development | 180 | - | - | 180 |
| Web expenses | 3,165 | - | 3,165 | 6,329 |
| Total Expenses | \$ <u>482,624</u> | \$ <u>217,800</u> | \$ <u>48,825</u> | \$ <u>749,248</u> |

See independent auditor's report and notes to financial statements

TEAM RIVER RUNNER, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|-------------------|---------------------------------------|--------------------|-------------------|
| <i>EXPENSES</i> | | | | |
| Salaries and benefits | \$ 45,664 | \$ 146,151 | \$ 22,433 | \$ 214,248 |
| Program expense | 110,530 | 549 | 28,916 | 139,995 |
| Kayak equipment and supplies | 136,732 | - | 153 | 136,885 |
| Depreciation | 84,642 | - | - | 84,642 |
| Outside services | 25,331 | 1,597 | 5,000 | 31,928 |
| Miscellaneous | 4,712 | 18,361 | 6,381 | 29,454 |
| Rent | 9,333 | 7,234 | 7,233 | 23,800 |
| Insurance | 1,646 | 16,890 | - | 18,536 |
| Accounting (in-kind) | - | 15,146 | - | 15,146 |
| Equipment rental and maintenance | 11,883 | - | 654 | 12,537 |
| Promotional items | 6,096 | 1,758 | 2,424 | 10,278 |
| Telephone | 3,331 | 4,838 | 638 | 8,807 |
| Charitable contributions | 4,588 | - | - | 4,588 |
| Supplies | 1,838 | 1,897 | 460 | 4,195 |
| Dues and subscriptions | 657 | 1,280 | - | 1,937 |
| Awards | 834 | - | - | 834 |
| Staff development | 101 | - | - | 101 |
| Total Expenses | <u>\$ 447,918</u> | <u>\$ 215,701</u> | <u>\$ 74,292</u> | <u>\$ 737,911</u> |

See independent auditor's report and notes to financial statements

TEAM RIVER RUNNER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

Note 1. Organization and Significant Accounting Principles

Nature of Business

Team River Runner, Incorporated (TRR) is a not-for-profit organization incorporated on August 25, 2005 under the laws of the state of Maryland.

The purposes for which the corporation is organized are exclusively charitable and include the promotion of the health and healing for disabled veterans through white water boating and other related activities. This includes working in partnership with the Wounded Warrior Project and Disabled Sports USA to assist recuperating veterans at Walter Reed Army Medical Center (WRAMC).

Income Taxes

TRR is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is organized and operated exclusively for charitable and educational purposes. In addition, the Internal Revenue Service has determined that the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A)(vi) and has been classified as a publicly supported organization, and not a private foundation under Section 509(a)(1).

TRR did not have any unrelated business income for the years ended December 31, 2017 and 2016; therefore, no income tax expense is recognized in the accompanying financial statements. TRR believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. TRR recognizes interest expense and penalties on uncertain tax positions in general and administrative expenses on the statements of activities and changes in net assets. There is no provision in these financial statements for penalties and interest on uncertain tax positions for the years ended December 31, 2017 and 2016.

TRR's Form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2015, 2016 and 2017 are subject to examination by the IRS and the state of Maryland generally for three years after they were filed.

See independent auditor's report

TEAM RIVER RUNNER, INCORPORATED.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

Note 1. Organization and Significant Accounting Principles (Continued)

Basis of Accounting

TRR prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market accounts. TRR had uninsured deposits totaling approximately \$553,831 and \$422,000 in excess of the Federal Deposit Insurance Corporation (FDIC) limits at December 31, 2017 and 2016 respectively.

Receivables

TRR records receivables net of an allowance for doubtful accounts when necessary. The allowance is determined based on the review of the estimated collectability of specific accounts, plus a general provision on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines a grant, pledge, or an account or a portion thereof, to be worthless. TRR recognized \$ and \$0 of losses on uncollectible grants and accounts receivable for the years ended December 31, 2017 and 2016, respectively. Management believes its remaining grants and accounts receivable to be fully collectible.

See independent auditor's report

TEAM RIVER RUNNER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

Note 1. Organization and Significant Accounting Principles (Continued)

Grants and Pledges Receivable

Grant and pledges receivable represent unconditional promises to give cash to TRR. Unconditional promises to give that are expected to be collected within one year are reflected in current pledges receivable and are recorded at their net realizable values in which TRR is notified by the grantor or donor of his or her commitment to make a contribution. The need for an allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and economic conditions. Uncollectible amounts are charged off against the allowance for uncollectible grants or pledges once management determines an account, or a portion thereof, to be uncollectible. TRR recognized \$0 of losses on uncollectible pledges receivable for both the years ended December 31, 2017 and 2016. The allowance for uncollectible pledges at December 31, 2017 and 2016 was \$0.

Kayaks and Equipment

Kayaks and equipment with acquisition costs in excess of \$ 500 are capitalized at cost, or in the case of donated property, estimated fair market value at the date of the donation. Items that cost less than \$500 are recorded as expense when purchased. Depreciation is computed on the straight-line method over estimated useful lives of 5 to 7 years. Maintenance and repairs are expensed when incurred. Depreciation expense for the years ended December 31, 2017 and 2016 was \$70,601 and \$84,642, respectively.

Net Assets

TRR's net assets are classified into two categories: unrestricted and temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law.

Revenue Recognition

TRR reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a

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TEAM RIVER RUNNER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017 and 2016

Note 1. Organization and Significant Accounting Principles (Continued)

Revenue Recognition - Continued

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 and change in net assets as net assets released from restrictions. Restrictive support, where the restriction has been satisfied during the year, is classified as unrestricted support. TRR received \$229,347 and \$95,917 in temporarily restricted revenue during the years ended December 31, 2017 and 2016, respectively.

Public support is recorded as revenue when contributions, which include unconditional promise to give, are pledged. Grants receivable were all due within one year and all were collectible based on subsequent receipts.

Contributed Services

There are numerous volunteers who have volunteered their time to TRR. The value of such services is not reflected in the accompanying financial statements. Under FASB Accounting Standard (FASC) topic on *Contributions*, only contributed services of a professional nature (e.g., legal and accounting) are recorded at their estimated fair value.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Subsequent Events

TRR has evaluated events and transactions for potential recognition or disclosure through January 22, 2019, the date the financial statements were available to be issued.

See independent auditor's report

TEAM RIVER RUNNER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 201 and 2016

Note 2. In-Kind Contributions

For the years ended December 31, 2017 and 2016, TRR received benefit from donated accounting services and rent of approximately \$ 35,346 and \$35,346, respectively. The value of donations has been reflected in the accompanying statements of activity and changes in net assets as contributions revenue and program, management and general, and fundraising expenses.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the unexpended portion of restricted contributions and grants received by TRR. These contributions and grants are restricted for the following programs:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Reno, Nevada Site | \$ 494 | \$ 494 |
| National Leadership Conference | 4,688 | 4,688 |
| Key Largo Outta Sight Clinic | 3,315 | 3,315 |
| Montana Outta Sight Clinic | 4,850 | 4,850 |
| Southeast Rendevous Outta Sight Clinic | 250 | 250 |
| On the Job Training & Rendezvous Programs | 13,582 | 13,582 |
| San Diego Chapter | 17,920 | 17,920 |
| Minneapolis Chapter | 9,949 | 9,949 |
| | <u>\$ 55,048</u> | <u>\$ 55,048</u> |

Note 4. Commitments

Lease

During 2013, TRR entered into a 3-year lease for office space in Falls Church, Virginia which was set to expire on April 30, 2016. Base monthly rental payments at inception were \$1,976, and increased approximately 4.0 percent per year. TRR also paid its share of operating expenses and real estate taxes over the base year. In March 2015, the lease was terminated by TRR as part of a move to separate office space and early termination fees of \$15,000 were paid. No future minimum lease payments to the lease were required as of December 31, 2016.

Rent expense totaling \$23,800 and \$43,362 was recognized during the years ended December 31, 2016 and 2015, respectively. These rent expenses include \$20,200 of donated rent for each year, respectively.

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