

WEAR BLUE: RUN TO REMEMBER

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Wear Blue: Run to Remember

Opinion

I have audited the accompanying financial statements of Wear Blue: Run to Remember (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wear Blue: Run to Remember as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Wear Blue: Run to Remember and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wear Blue: Run to Remember's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wear Blue: Run to Remember's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wear Blue: Run to Remember's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

A handwritten signature in blue ink that reads "Sabey CPA, LLC". The signature is written in a cursive, flowing style.

Sabey CPA, LLC
April 21, 2023

**WEAR BLUE: RUN TO REMEMBER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS

Current assets	
Cash	\$ 298,876
Grants receivable	118,652
Inventory - merchandise	8,767
Prepaid expenses	<u>22,967</u>
Total current assets	<u>449,262</u>
 TOTAL ASSETS	 <u><u>\$ 449,262</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 37,721
Accrued payroll and related taxes	<u>11,500</u>
Total current liabilities	<u>49,221</u>
 Net assets	
Without donor restrictions	177,305
With donor restrictions	<u>222,736</u>
Total net assets	<u>400,041</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 449,262</u></u>

The notes are an integral part of the financial statements. See accompanying notes.

**WEAR BLUE: RUN TO REMEMBER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Unrestricted	Donor restricted	Total
Support and Revenue:			
Grants	\$ 200,817	\$ 222,736	\$ 423,553
Contributions	593,935	-	593,935
Merchandise revenue, net	18,281	-	18,281
In-kind contributions	7,088	-	7,088
Interest income	21	-	21
Total support and revenue	820,142	222,736	1,042,878
Released from restriction	-	-	-
Expenses			
Program services	903,652	-	903,652
Management & general	174,047	-	174,047
Fundraising	45,177	-	45,177
Total expenses	1,122,876	-	1,122,876
Change in net assets	(302,734)	222,736	(79,998)
Net Assets			
Beginning of year	480,039	-	480,039
End of year	\$ 177,305	\$ 222,736	\$ 400,041

The notes are an integral part of the financial statements. See accompanying notes.

**WEAR BLUE: RUN TO REMEMBER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Services	General & Administrative	Fundraising Costs	2022 Total
Salaries	\$ 84,492	\$ 89,476	\$ -	\$ 173,968
Payroll taxes	6,622	8,618	-	15,240
Legal and professional	-	1,564	-	1,564
Accounting	-	44,030	-	44,030
Advertising	99,481	2,599	1,944	104,024
Travel	218,733	3,281	10,029	232,043
Insurance	-	2,605	-	2,605
Supplies	133,829	4,771	10,622	149,222
Event expenses	104,401	1,037	5,760	111,198
Photography and videography	86,666	-	-	86,666
Postage and shipping	19,572	844	318	20,734
Printing & posters	50,472	-	317	50,789
Storage	20,398	-	-	20,398
Program development	43,300	2,489	-	45,789
Bank fees	1,397	1,015	10,330	12,742
Software applications	34,174	9,265	5,857	49,296
Other	115	2,453	-	2,568
	<u>\$ 903,652</u>	<u>\$ 174,047</u>	<u>\$ 45,177</u>	<u>\$ 1,122,876</u>

The notes are an integral part of the financial statements. See accompanying notes.

**WEAR BLUE: RUN TO REMEMBER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities	
Change in net assets	\$ (79,998)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(81,080)
Inventory - merchandise	(8,767)
Prepaid expenses	(16,019)
Accounts payable	(6,469)
Accrued payroll and related taxes	5,843
Net cash flows from operating activities	<u>(186,490)</u>
Net change in cash	(186,490)
Cash, beginning of year	<u>485,366</u>
Cash, end of year	<u><u>\$ 298,876</u></u>

The notes are an integral part of the financial statements. See accompanying notes.

**WEAR BLUE: RUN TO REMEMBER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Wear Blue: Run to Remember (the Organization) is a nonprofit organization incorporated in the state of Washington in 2010. The Organization is dedicated to honoring the service and sacrifice of the American military through active remembrance. The Organization's running community serves as a support network for those preparing for a deployment, living through a deployment, recovering from a deployment and healing from loss sustained during a deployment.

Financial Statement Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis.

The Organization reports information regarding its financial position according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. The net assets of the Organization are classified as follows:

- Net assets without donor restrictions are available without restriction for support of the Organization's operations.
- Net assets with donor restrictions are restricted by the donor to be used for certain purposes or future periods. There were net assets with donor restrictions of \$222,736 at December 31, 2022. These were from various donors and were restricted for use towards the Gold Star Youth Mentorship Program, and other events, all of which are expected to take place in 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimated amounts.

Revenue Recognition

The Organization receives the majority of its revenue through grants from non-government agencies, and contributions from individuals, organizations, and businesses.

Grants and cash contributions are recorded as revenue when received. Unconditional promises to give are recorded at their fair value when management is notified of these gifts.

Merchandise revenues are recognized at the point in-time when the buyer takes control of the merchandise.

Grants Receivable

Grants receivables consist of contributions that are due from grantors and donors, and that were collected subsequent to December 31, 2022.

**WEAR BLUE: RUN TO REMEMBER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTRIBUTED)

Inventory

Inventory is valued on the first-in, first-out (FIFO) basis, and totaled \$8,767 for the merchandise, for the year ended December 31, 2022.

In-Kind Support

Contributed goods and services are recorded as in-kind contributions at their estimated fair values at the date of donation. The Organization was donated the use of a booth at an attended event, as well as other supplies, for use in their program during 2022. The value of the provided booth and other supplies was \$7,088 for the year ended December 31, 2022.

Volunteer Support

The Organization receives a significant amount of contributed time that does not meet the recognition policy described above. Approximately 2,200 volunteer hours were contributed to the Organization during the year ended December 31, 2022, the value of which has not been determined and is not reflected in the accompanying financial statements.

Federal Income Taxes

The Organization has been recognized as exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, any unrelated business income may be subject to taxation.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

Functional Expenses

The costs of providing the various programs and other activities have been presented on a functional basis in the statement of activities. Management uses the specific identification method to identify the related function.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 "Leases." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. Management reviewed this ASU for possible implementation and adoption as of January 1, 2022. However, Management elected the practical expedient of not recording leases with an initial term of 12 months or less ("short-term leases") on their balance sheet.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was April 21, 2023.

WEAR BLUE: RUN TO REMEMBER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a goal to maintain financial assets, which consist of cash, to meet twelve months of normal operating expenses, which approximate \$240,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets as of December 31, 2022, that are available to meet cash needs for general expenditures:

Cash	\$ 298,876
Less: donor-restricted net assets	<u>(222,736)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 76,140</u>

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash. The Organization places its cash with financial institutions. At times, such balances may be in excess of federally insured limits. The Organization believes it is not exposed to any significant credit risk on its cash accounts.