

WEAR BLUE: RUN TO REMEMBER

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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, 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.

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

Basis for Qualified Opinion

I did not observe the taking of the physical inventories at December 31, 2020 and 2019 (stated in total at \$172,618 and \$91,884, respectively). Accordingly, I was unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2020, 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.



Sabey CPA, PLLC
Mercer Island, Washington
November 26, 2021

**WEAR BLUE: RUN TO REMEMBER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Current assets	
Cash	\$ 288,541
Grants receivable	14,048
Inventory - merchandise	82,279
Inventory - supplies	90,339
Total current assets	<u>475,207</u>
 TOTAL ASSETS	 <u>\$ 475,207</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 6,421
Accrued business taxes	364
Gift cards payable	1,025
Total current liabilities	<u>7,810</u>
 Net assets	
Without donor restrictions	417,397
With donor restrictions	50,000
Total net assets	<u>467,397</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 475,207</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, 2020**

	Unrestricted	Donor restricted	Total
Support and Revenue:			
Grants	\$ 56,500	\$ 50,000	\$ 106,500
Contributions	229,955	-	229,955
Services revenue	33,038	-	33,038
Merchandise revenue, net	(7,628)	-	(7,628)
In-kind revenues	20,275	-	20,275
Interest income	18	-	18
Total support and revenue	332,158	50,000	382,158
 Released from restriction	 72,446	 (72,446)	 -
 Expenses			
Program services	226,745	-	226,745
Management & general	49,573	-	49,573
Fundraising	18,813	-	18,813
Total expenses	295,131	-	295,131
Change in net assets	109,473	(22,446)	87,027
 Net Assets			
Beginning of year	307,924	72,446	380,370
End of year	\$ 417,397	\$ 50,000	\$ 467,397

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, 2020**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising Costs</u>	<u>2020 Total</u>
Salaries	\$ 32,500	\$ 17,172	\$ 17,172	\$ 66,844
Payroll taxes	3,001	1,501	1,501	6,003
Legal and professional	11,774	-	-	11,774
Accounting	-	30,900	-	30,900
Advertising	31,001	-	140	31,141
Travel	7,880	-	-	7,880
Insurance	5,786	-	-	5,786
Supplies	14,685	-	-	14,685
Event fees	11,875	-	-	11,875
Printing & posters	18,074	-	-	18,074
Meals	3,648	-	-	3,648
Storage	11,044	-	-	11,044
Postage and shipping	5,335	-	-	5,335
Bank fees	7,570	-	-	7,570
Software applications	51,358	-	-	51,358
Bad debt expense	5,000	-	-	5,000
Other	6,214	-	-	6,214
	<u>\$ 226,745</u>	<u>\$ 49,573</u>	<u>\$ 18,813</u>	<u>\$ 295,131</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, 2020**

Cash flows from operating activities	
Change in net assets	\$ 87,027
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Bad debt expense	5,000
Changes in assets and liabilities:	
Accounts receivable	(566)
Inventory - merchandise	(50,616)
Inventory - supplies	9,996
Prepays	2,000
Accounts payable	174
Accrued business taxes	364
Gift cards payable	1,025
Net cash flows from operating activities	<u>54,404</u>
 Net change in cash	 54,404
 Cash, beginning of year	 <u>234,137</u>
 Cash, end of year	 <u><u>\$ 288,541</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, 2020**

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 \$50,000 at December 31, 2020. These were from one donor and were restricted for use towards the Gold Star Youth Mentorship Program over the time period of September 2020 to August 2021.

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.

Service revenues represent income earned by the Organization for organizing and administering running events for companies. Service revenues and merchandise revenues are recognized at the point in-time when earned.

Grants Receivable

Grants receivables consist of contributions that are due from grantors and donors, and that were collected subsequent to December 31, 2020.

**WEAR BLUE: RUN TO REMEMBER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTRIBUTED)

Inventory

Inventory is valued on the first-in, first-out (FIFO) basis, and totaled \$82,279 and \$90,339 for the merchandise and the supplies, respectively, for the year ended December 31, 2020.

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 received access to software subscription for use in their program during 2020. The retail value of the software subscription was \$20,275 for the year ended December 31, 2020.

Volunteer Support

The Organization receives a significant amount of contributed time that does not meet the recognition policy described above. Approximately 1,430 volunteer hours were contributed to the Organization during the year ended December 31, 2020, 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.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was November 26, 2021.

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, 2020, that are available to meet cash needs for general expenditures:

Cash	<u>\$ 288,541</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 288,541</u>

WEAR BLUE: RUN TO REMEMBER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

NOTE 4 IMPACT OF COVID-19

In 2020, the World Health Organization ("WHO") officially declared the Coronavirus Disease 2019 (COVID-19) outbreak a global pandemic. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and organizations in numerous industries. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, management has evaluated the effects of the COVID-19 outbreak on the results of its operations, financial condition, and liquidity. Management believes they will be able to continue to pay their obligations in a timely manner.