**Audited Financial Statements**

MVP MERGING VETS & PLAYERS

**December 31, 2018 and 2017**

Quigley & Miron

**Merging Vets and Players**
**Audited Financial Statements**
**Table of Contents**
**December 31, 2018 and 2017**

Quigley & Miron

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## Independent Auditor's Report

Board of Directors
**Merging Vets and Players**
West Hollywood, California

We have audited the accompanying financial statements of Merging Vets and Players (MVP), a nonprofit organization, which comprise the statements of financial position as of December 31, 2018 and 2017 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.

### Auditor's 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 of 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.

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 Merging Vets and Players as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Quigley & Miron

Los Angeles, California
September 19, 2019

**Merging Vets and Players**
**Statements of Financial Position**
**December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash | $ 270,156 | $ 288,588 |
| Pledges receivable | 25,000 | |
| Other assets | 1,768 | 5,051 |
| Furniture and equipment, net—Note 3 | 3,681 | 3,091 |
| **Total Assets** | **$ 300,605** | **$ 296,730** |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 24,275 | $ 3,250 |
| **Total Liabilities** | **24,275** | **3,250** |
| **Net Assets** | | |
| Without donor restrictions | 110,285 | 293,480 |
| With donor restrictions—Note 5 | 166,045 | |
| **Total Net Assets** | **276,330** | **293,480** |
| **Total Liabilities and Net Assets** | **$ 300,605** | **$ 296,730** |

See notes to financial statements.

**Merging Vets and Players**
**Statement of Activities**
**Year Ended December 31, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating Activities** | | | |
| **Support and Revenue** | | | |
| Contributions and grant income | $ 383,110 | $ 170,000 | $ 553,110 |
| In-kind contributions | 28,915 | | 28,915 |
| Net assets released from restrictions | 3,955 | (3,955) | |
| **Total Support and Revenue** | **415,980** | **166,045** | **582,025** |
| **Expenses** | | | |
| Program expenses | 510,270 | | 510,270 |
| Management and general | 45,495 | | 45,495 |
| Fundraising and development | 43,411 | | 43,411 |
| **Total Expenses** | **599,176** | | **599,176** |
| **Change in Net Assets from Operations** | **(183,196)** | **166,045** | **(17,151)** |
| **Change in Net Assets** | **(183,196)** | **166,045** | **(17,151)** |
| **Net Assets at Beginning of Year** | **293,481** | | **293,481** |
| **Net Assets at End of Year** | **$ 110,285** | **$ 166,045** | **$ 276,330** |

See notes to financial statements.

**Merging Vets and Players**
**Statement of Activities**
**Year Ended December 31, 2017**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating Activities** | | | |
| **Support and Revenue** | | | |
| Contributions and grant income | $ 396,553 | $ | $ 396,553 |
| In-kind contributions | 127,682 | | 127,682 |
| Net assets released from restrictions | 25,000 | (25,000) | |
| **Total Support and Revenue** | **549,235** | **(25,000)** | **524,235** |
| **Expenses** | | | |
| Program expenses | 252,924 | | 252,924 |
| Management and general | 14,928 | | 14,928 |
| Fundraising and development | 4,286 | | 4,286 |
| **Total Expenses** | **272,138** | | **272,138** |
| **Change in Net Assets from Operations** | **277,097** | **(25,000)** | **252,097** |
| **Change in Net Assets** | **277,097** | **(25,000)** | **252,097** |
| **Net Assets at Beginning of Year** | **16,383** | **25,000** | **41,383** |
| **Net Assets at End of Year** | **$ 293,480** | **$** | **$ 293,480** |

See notes to financial statements.

**Merging Vets and Players**
**Statement of Functional Expenses**
**Year Ended December 31, 2018**

| | Program Services | Management and General | Fundraising and Development | Total |
|---|---|---|---|---|
| **Expenses** | | | | |
| Salaries | $ 218,163 | $ 12,816 | $ 11,354 | $ 242,333 |
| Payroll taxes | 19,963 | 1,174 | 1,040 | 22,177 |
| Other employee benefits | 6,020 | 354 | 314 | 6,688 |
| **Total Personnel Expenses** | **244,146** | **14,344** | **12,708** | **271,198** |
| Contracted services | 84,115 | 4,158 | 27,000 | 115,273 |
| Depreciation | | 939 | | 939 |
| Facility rent | 95,710 | 3,759 | 3,331 | 102,800 |
| Insurance | 3,482 | 205 | 181 | 3,868 |
| Other expenses | 5,132 | 3,610 | 56 | 8,798 |
| Professional fees | | 18,000 | | 18,000 |
| Program outreach | 2,603 | | | 2,603 |
| Supplies, materials, and equipment | 36,656 | | | 36,656 |
| Telephone | 2,598 | 480 | 135 | 3,213 |
| Travel, meetings, and memberships | 35,828 | | | 35,828 |
| **Total Expenses** | **$ 510,270** | **$ 45,495** | **$ 43,411** | **$ 599,176** |

See notes to financial statements.

**Merging Vets and Players**
**Statement of Functional Expenses**
**Year Ended December 31, 2017**

| | Program Services | Management and General | Fundraising and Development | Total |
|---|---|---|---|---|
| **Expenses** | | | | |
| Salaries | $ 44,308 | $ 8,308 | $ 2,769 | $ 55,385 |
| Payroll taxes | 3,457 | 648 | 216 | 4,321 |
| Other employee benefits | 1,351 | 253 | 84 | 1,688 |
| **Total Personnel Expenses** | **49,116** | **9,209** | **3,069** | **61,394** |
| Contracted services | 63,696 | 3,143 | 1,048 | 67,887 |
| Depreciation | | 76 | | 76 |
| Food expenses | 478 | | | 478 |
| Other expenses | | 1,995 | | 1,995 |
| Facility rent | 103,000 | | | 103,000 |
| Program outreach | 23,508 | | | 23,508 |
| Supplies, materials, and equipment | 2,237 | 419 | 140 | 2,796 |
| Telephone | 457 | 86 | 29 | 572 |
| Travel, meetings, and memberships | 10,432 | | | 10,432 |
| **Total Expenses** | **$ 252,924** | **$ 14,928** | **$ 4,286** | **$ 272,138** |

See notes to financial statements.

**Merging Vets and Players**
**Statements of Cash Flows**
**December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ (17,151) | $ 252,097 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 939 | 76 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | (25,000) | 25,000 |
| Other assets | 3,283 | (5,051) |
| Accounts payable and accrued expenses | 21,025 | 3,250 |
| **Net Cash Provided by (Used in) Operating Activities** | **(16,904)** | **275,372** |
| **Cash Flows from Investing Activities** | | |
| Purchases of furniture and equipment | (1,529) | (3,167) |
| **Net Cash Used in Investing Activities** | **(1,529)** | **(3,167)** |
| **Net Increase (Decrease) in in Cash** | **(18,433)** | **272,205** |
| **Cash at Beginning of Year** | **288,588** | **16,383** |
| **Cash at End of Year** | **$ 270,155** | **$ 288,588** |
| **Supplementary Disclosures** | | |
| Income taxes paid | $ | $ |
| Interest paid | $ | $ |

See notes to financial statements.

**Merging Vets and Players**
**Notes to Financial Statements**
**December 31, 2018**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—Merging Vets and Players (MVP) is a California not-for-profit corporation, incorporated on August 18, 2016 in the State of California. The mission of MVP is to match up combat veterans and former professional athletes together – after the uniform comes off – to give them a new team to tackle the transition together. MVP was created to address this important challenge. The core program is designed to address challenges that many combat veterans and professional athletes face when transitioning their services and professional life towards a new mission in their civilian life. MVP creates an environment where they can share each other's strength and experience, supporting each other in building and fulfilling lives of service and strength. Through weekly physical fitness and peer-to-peer sessions, MVP provides the foundation for vets and players to be empowered and live their best lives.

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. MVP has adopted ASU No. 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements of MVP have been prepared on the accrual basis of accounting, in conformity with generally accepted accounting principles in the United States of America (GAAP). MVP's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of MVP and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of MVP. These net assets may be used at the discretion of MVP's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of MVP and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit MVP to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of MVP's program services. MVP did not engage in any reportable nonoperating activities during the years ended December 31, 2018 and 2017.

**Note 1—Organization and Summary of Significant Accounting Policies**—*Continued*

Income Taxes—MVP is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, MVP has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2018 and 2017. Generally, MVP 's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing

Concentration of Credit Risk—Cash is the primary form of concentration of credit risk to which MVP is subject. MVP places its cash with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At times, in the normal course of business, such cash balances are in excess of the FDIC insurance limits, but management deems the risk of loss due to these concentrations to be minimal.

Furniture and Equipment—Purchased furniture and equipment are recorded at cost, and donated assets are recorded at the estimated fair value on the date of receipt. MVP depreciates its furniture and equipment using the straight-line-method over 5 years.

Repairs and maintenance costs are expensed as incurred. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used and gifts of cash or other assets that must be used to acquire and maintain long-lived assets are reported as restricted support. Absent explicit donor stipulations, MVP reports expirations of donor restrictions when such long-lived assets are placed in service.

Revenue Recognition—MVP's revenue recognition policies are as follows:

Contributions and Grants—Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution or grant is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

## Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries and wages, benefits, payroll taxes, contracted services, facility rent, insurance, other expenses, and telephone are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to either programs or supporting services.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure 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 those estimates.

In-Kind Donations—A substantial number of volunteers have donated significant amounts of their time and services in MVP's core activities. Only those amounts that meet the criteria for recognition under current accounting standards are recorded in the accompanying financial statements. MVP recognized in-kind donations consisting of consulting and training services with an estimated value of $24,915 and donated facilities usage with an estimated value of $4,000 during the year ended December 31, 2018. MVP recognized in-kind donations consisting of consulting and training services with an estimated value of $39,682 and donated facilities usage with an estimated value of $88,000 during the year ended December 31,2017.

## Note 2—Availability and Liquidity

MVP's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $143,000). As part of its liquidity plan, all cash is maintained in a checking account at Comerica Bank.

The following represents the availability and liquidity of MVP's financial assets at December 31, 2018 and 2017 to cover operating expenses for the subsequent fiscal years.

| | 2018 | 2017 |
|---|---|---|
| Cash | $ 129,111 | $ 288,588 |
| Pledges receivable | 25,000 | |
| **Current Availability of Financial Assets** | **$ 154,111** | **$ 288,588** |

## Note 3—Furniture and Equipment, Net

Net furniture and equipment consists of the following:

| | 2018 | 2017 |
|---|---|---|
| Furniture, fixtures, and equipment | $ 4,696 | $ 3,167 |
| Less accumulated depreciation | (1,015) | (76) |
| **Net** | **$ 3,681** | **$ 3,091** |

## Note 4—Commitments and Contingencies

MVP leased program space under various leases during the years ended December 31, 2018 and 2017. Rent expense totaled $98,800 and $103,000 during the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2017, MVP received $88,000 of donated rent which is included in the $103,000 rent expense above.

MVP is committed under two noncancelable operating leased for program facility space used in day-to-day operations. The leases are currently scheduled to expire in December 31, 2019 and January 2020. Future minimum lease payments under the noncancelable operating leases are as follows:

| Year Ending December 31 | |
|---|---|
| 2019 | $ 24,000 |
| 2020 | 1,000 |
| **Total** | **$ 25,000** |

## Note 5—Net Assets

Net assets with donor restrictions during the year ended December 31, 2018 are as follows:

| | |
|---|---|
| Subject to expenditure for specified purpose: | |
| Atlanta Program | $ 75,000 |
| Peer Support Intervention Program | 50,000 |
| First Responders Program | 16,045 |
| Subject to time restrictions: | |
| Pledges receivable | 25,000 |
| **Total** | **$ 166,045** |

There were no assets with donor restrictions during the year ended December 31, 2017.

**Note 5—Net Assets**—*Continued*

Net assets released from donor restrictions during the years ended December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Satisfaction of purpose restrictions | | |
| First Responders Program | $ 3,955 | $ |
| Satisfaction of passage of time | | |
| Pledges receivable | | 25,000 |
| **Totals** | **$ 3,955** | **$ 25,000** |

**Note 6—Recent Accounting Pronouncements**

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. MVP is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. MVP is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

## Note 7—Subsequent Events

Management evaluated all activities of Merging Vets and Players through September 19, 2019, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.