TEAM IMPACT, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

LMHS, P.C.

Certified Public Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Team Impact, Inc.
Quincy, Massachusetts

We have audited the accompanying financial statements of Team Impact, Inc. (a non-profit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 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.

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 Impact, Inc. as of December 31, 2019 and 2018, 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.

LMHS, P.C.

LMHS, P.C.
Norwell, Massachusetts

September 25, 2020

TEAM IMPACT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 2,658,700	$ 1,801,696
Pledges Receivable	84,000	-
Prepaid Expenses and Other	77,951	48,632
	2,820,651	1,850,328
PROPERTY AND EQUIPMENT:		
Computer Software	54,530	20,440
Furniture	24,831	17,544
Leasehold Improvements	-	84,119
Website and Digital Technology	676,900	564,950
	756,261	687,053
Accumulated Depreciation	(121,074)	(137,622)
	635,187	549,431
	$ 3,455,838	$ 2,399,759
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	$ 72,626	$ 89,738
Accrued Payroll and Related	208,384	100,121
	281,010	189,859
DEFERRED RENT	2,079	6,674
TOTAL LIABILITIES	283,089	196,533
NET ASSETS:		
Without Donor Restrictions	2,782,827	1,968,226
With Donor Restrictions	389,922	235,000
	3,172,749	2,203,226
	$ 3,455,838	$ 2,399,759

See Notes to Financial Statements

TEAM IMPACT, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT:						
Contributions	$ 2,751,614	$ 257,785	$ 3,009,399	$ 1,583,960	$ 135,000	$ 1,718,960
Special Events:						
Events Revenue	2,921,854	130,000	3,051,854	2,588,862	125,000	2,713,862
Events Expense	(697,937)	-	(697,937)	(591,935)	-	(591,935)
	2,223,917	130,000	2,353,917	1,996,927	125,000	2,121,927
Dividend Income	2,576	-	2,576	516	-	516
Interest Income	308	-	308	257	-	257
Other Income (Loss)	(31,092)	-	(31,092)	(992)	-	(992)
Net Assets Released From Restrictions	232,863	(232,863)	-	365,000	(365,000)	-
TOTAL REVENUE AND OTHER SUPPORT	5,180,186	154,922	5,335,108	3,945,668	(105,000)	3,840,668
EXPENSES:						
Program Expense	3,731,749	-	3,731,749	2,721,417	-	2,721,417
Fundraising Expense	380,778	-	380,778	311,281	-	311,281
Management and General	253,058	-	253,058	208,251	-	208,251
	4,365,585	-	4,365,585	3,240,949	-	3,240,949
CHANGE IN NET ASSETS	814,601	154,922	969,523	704,719	(105,000)	599,719
NET ASSETS AT BEGINNING OF YEAR	1,968,226	235,000	2,203,226	1,263,507	340,000	1,603,507
NET ASSETS AT END OF YEAR	$ 2,782,827	$ 389,922	$ 3,172,749	$ 1,968,226	$ 235,000	$ 2,203,226

See Notes to Financial Statements

TEAM IMPACT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Expense	Fundraising Expense	Management and General	Total	Program Expense	Fundraising Expense	Management and General	Total
PERSONNEL EXPENSES:								
Salaries and Wages	$ 2,191,621	$ 226,660	$ 131,804	$ 2,550,085	$ 1,659,767	$ 211,921	$ 115,279	$ 1,986,967
Payroll Taxes	158,397	15,765	8,613	182,775	117,590	14,327	7,647	139,564
Employee Benefits	428,844	31,524	15,684	476,052	290,858	29,419	15,221	335,498
TOTAL PERSONNEL EXPENSES	2,778,862	273,949	156,101	3,208,912	2,068,215	255,667	138,147	2,462,029
Case Management	294,418	-	-	294,418	60,142	-	-	60,142
Dues and Subscriptions	9,533	625	168	10,326	12,358	25	424	12,807
Events	11,081	697,937	-	709,018	38,474	591,935	-	630,409
Grants	7,863	-	-	7,863	-	-	-	-
Information Technology	75,715	10,936	40	86,691	60,903	2,937	127	63,967
Insurance	4,312	-	1,551	5,863	4,227	-	383	4,610
Marketing and Communications	59,805	17,834	7,380	85,019	123,016	13,205	-	136,221
Miscellaneous Expense	2,973	65	1,063	4,101	2,437	405	232	3,074
Office Equipment	11,290	483	1,785	13,558	5,118	294	471	5,883
Office Expense	41,030	10,986	5,188	57,204	32,862	102	11,020	43,984
Professional Fees	137,745	2,304	59,854	199,903	54,568	1,012	43,348	98,928
Rent and Occupancy	99,357	6,507	9,986	115,850	89,165	4,869	7,790	101,824
Telephone	26,544	350	50	26,944	22,257	161	167	22,585
Travel	95,807	52,156	2,772	150,735	80,953	28,769	6	109,728
Depreciation	75,414	4,583	7,120	87,117	66,722	3,835	6,136	76,693
TOTAL EXPENSES	3,731,749	1,078,715	253,058	5,063,522	2,721,417	903,216	208,251	3,832,884
Less: Special Events Expense netted against Special Events Revenue	-	(697,937)	-	(697,937)	-	(591,935)	-	(591,935)
TOTAL FUNCTIONAL EXPENSES	$ 3,731,749	$ 380,778	$ 253,058	$ 4,365,585	$ 2,721,417	$ 311,281	$ 208,251	$ 3,240,949

See Notes to Financial Statements

TEAM IMPACT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 969,523	$ 599,719
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	87,117	76,693
Loss on Disposal of Property and Equipment	30,844	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease In:		
Pledges Receivable	(84,000)	50,000
Prepaid Expenses and Other	(29,319)	(22,425)
Increase (Decrease) In:		
Accounts Payable and Accrued Expenses	(27,612)	(5,074)
Accrued Payroll and Related	108,263	40,196
Deferred Rent	(4,595)	1,534
	1,050,221	740,643
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions To Property and Equipment	(193,217)	(90,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	857,004	650,643
CASH AND CASH EQUIVALENTS - BEGINNING	1,801,696	1,151,053
CASH AND CASH EQUIVALENTS - ENDING	$ 2,658,700	$ 1,801,696

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2019	2018
Schedule of Noncash Investing Transactions		
Cost of Property and Equipment	$ 203,717	$ 135,000
Acquisition of Property and Equipment with Accrued Expenses	(10,500)	(45,000)
Cash Paid for Purchase of Property and Equipment	$ 193,217	$ 90,000

See Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Organization - Team Impact, Inc. (the Organization) is a non-profit corporation that was incorporated under the laws of the Commonwealth of Massachusetts and commenced operations on May 10, 2011.

2. Operations - The Organization was formed to raise funds to improve the quality of life for children with terminal diseases. Each child is adopted by a team and becomes an honorary member of the team. All contributions are used to fund this process.

3. Method of Accounting - The Organization's policy is to prepare its financial statements on the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. This method of accounting conforms to generally accepted accounting principles.

4. Financial Statement Presentation - The Organization's financial statements are presented in accordance with FASB ASC Update 2016-14. As such, net assets are classified based upon the existence or absence of donor imposed restrictions, as follows: without donor restrictions, with donor restrictions. A description of the two net asset categories is as follows:

   Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

   With Donor Restrictions - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time, or that must remain intact, in perpetuity.

   Under FASB ASC 958-210-45, expenses are generally reported as decreases in net assets without donor restrictions.

5. Concentration of Credit Risk - The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related accounts.

6. Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

7. Investments - The Organization accounts for investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. As of December 31, 2019, the Organization included certain equity securities in cash and cash equivalents on a trade date basis.

8. Allowance for Uncollectible Pledges Receivable - Management deems all pledges receivable to be fully collectible and has not established a bad debt reserve. Write-offs, should they occur, will be recorded as expenses in the year they are deemed to be uncollectible.

9. Property and Equipment - Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred whereas major betterments are capitalized. Depreciation is provided for using the straight-line method over the estimated useful lives of these assets in periods ranging from three to ten years.

A. <u>ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>: (Continued)

10. Deferred Rent - Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In the later years of the lease, as payments exceed the amount of rent expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

11. Fair Value of Financial Instruments - The Organization's financial instruments include cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable and accrued expenses. The recorded values of cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable and accrued expenses approximate their fair values based on their short-term nature.

12. Revenue Recognition - Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

    Donated materials and services are recorded as in-kind donations and recognized at their estimated fair value as of the date of donation or service.

    Contributions of marketable securities are recorded in the financial statements at their quoted market price at the date of donation.

13. Contributions - Contributions are recorded in net assets without donor restrictions or net assets with donor restrictions class of net assets depending on the existence and/or nature of any donor-imposed 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 are reported as net assets released from restriction in the statement of activities.

14. Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

15. Uncertainty In Income Taxes - The Organization adopted the standards for *Accounting for Uncertainty in Income Taxes* (income, sales, use and payroll), which required the Organization to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of December 31, 2019 and 2018, the Organization determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. The Organization files tax and information returns in the United States Federal and applicable state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

16. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

17. Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

    The following expenses were allocated using time and effort basis:
    - Salaries and Wages, Payroll Taxes, and Employee Benefits
    - Payroll Processing Fees

    The following expenses were allocated using the square footage of the building as the basis:
    - Rent and Occupancy
    - Office Equipment
    - Information Technology
    - Depreciation

18. Recent Accounting Pronouncements - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities ("Topic 958"), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization has implemented this accounting standard in the accompanying financial statements effective January 1, 2019 under the modified prospective basis. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

    In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers ("ASC 606").* The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Nonpublic entities will apply the new standard for annual periods beginning after December 15, 2018, with early adoption permitted.

    In June 2020, FASB issued ASU 2020-05 to defer the effective date of ASC 606 for one year for all privately held entities that have not yet issued financial statements or made financial statements available as of June 3, 2020. For these private entities, the revenue standard is effective for annual periods beginning after December 15, 2019 and interim reporting periods within annual reporting periods beginning after December 15, 2020.

    In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) ("ASC 842").* The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For the Organization, the new standard is effective for fiscal years beginning after December 15, 2019, and interim periods beginning the following year. Early adoption is permitted.

    In addition, ASU 2020-05 defers the effective date for ASC 842 for private companies and certain not- for-profit entities ("NFPs") for one year. For private companies and private NFPs, the leasing standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

    The Organization has elected to defer the effective date of ASC 606 and ASC 842 for one year. The Organization has not yet determined the impact ASC 606 and ASC 842 will have on its financial statements.

B. PLEDGES RECEIVABLE:

Unconditional promises to give in future periods are recorded in the financial statements as Pledges Receivable, net of an allowance for uncollectible gifts. As of December 31, 2019 and 2018, unconditional promises to give amounted to $84,000 and zero, respectively, of which $51,000 is unrestricted for general support and $33,000 represents gifts with donor restrictions for the Midwest Launch. The Organization expects to collect total pledges receivable of $68,000 in 2020 and $16,000 in 2021.

The Organization allows for estimated losses on pledges receivable based on prior bad debt experience and a review of existing pledges. Based on these factors, there was no allowance for uncollectible gifts for the years ended December 31, 2019 and 2018.

C. LIQUIDITY AND AVAILABILITY:

The following reflects the Organization's financial assets at December 31, 2019 and 2018, reduced by amounts that are not available for general use because of donor-imposed restrictions, within one year of the statement of financial position date. As part of its liquidity management plan, the Organization operates its programs within a balanced budget and relies on grants and contributions to fund its operations and program activities:

	2019	2018
Cash and Cash Equivalents	$ 2,658,700	$ 1,801,696
Pledges Receivable	84,000	-
Total Financial Assets	2,742,700	1,801,696
Contributions Restricted For Purpose	(12,137)	(10,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,730,563	$ 1,791,696

The Organization has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

D. NET ASSETS WITH DONOR RESTRICTIONS:

	2019	2018
Time Restricted	$ 377,785	$ 225,000
Purpose Restricted	12,137	10,000
Total Net Assets with Donor Restrictions	$ 389,922	$ 235,000

E. LEASE OBLIGATIONS:

On September 1, 2016, the Organization executed a five-year lease at 500 Victory Road, Quincy, Massachusetts for its office space, with an amendment on December 1, 2019 to extend the lease through December 31, 2024. Under the terms of this lease amendment, monthly payments are $17,963 for year one, $19,020 for year two, $20,077 for year three, $21,133 for year four and $22,190 for year five. For the years ended December 31, 2019 and 2018, rent expense paid under this lease amounted to $88,409 and $81,008, respectively.

The following is a schedule by years of the future minimum rental payments as of December 31,:

2020	$ 215,560
2021	228,240
2022	240,920
2023	253,600
2024	266,280
	$ 1,204,600

F. RETIREMENT PLAN:

The Organization has a voluntary 401(k) plan covering all of its eligible employees. Employees can contribute up to the maximum amount applicable by law on a yearly basis. The Organization matches up to 3% of employee eligible earnings. Employer contributions for the years ended December 31, 2019 and 2018, amounted to $54,544 and $45,634, respectively.

G. ADVERTISING:

The Organization follows the policy of charging the costs of advertising and marketing to expense as incurred. For the years ended December 31, 2019 and 2018, advertising costs amounted to $85,019 and $136,221, respectively. Included in advertising costs for the year ended December 31, 2019 were in-kind donations amounting to $29,560 as noted above in Note A.

H. RECLASSIFICATIONS:

Certain amounts for the year ended December 31, 2018 have been reclassified to conform with the presentation of the December 31, 2019 amounts. The reclassifications have no effect on the change in net assets for the year ended December 31, 2018.

I. SUBSEQUENT EVENTS:

Management has evaluated events occurring after the statement of financial position date through September 25, 2020, the date in which the financial statements were available to be issued.

During the period from January 1, 2020 through September 25, 2020, both domestic and international equity markets have experienced significant declines due in large part to a virus known as the Coronavirus or COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 a public health emergency. The declaration has a potential impact on the Organization and its program participants and donors. Significant work stoppages and an economic slowdown has impacted not only the United States, but the worldwide economy. Management is unable to estimate the impact that this public health emergency will have on the Organization's financial position or its operating results and accordingly, no adjustments have been made to the accompanying financial statements.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") that, among other things, provided various tax incentives to taxpayers, emergency funding, and other economic stimulus provisions.

On April 20, 2020, the Organization received loan proceeds in the amount of approximately $514,200 from the Payroll Protection Program (the "PPP") element of the CARES Act. The PPP, established as part of the CARES Act, provides for loans to qualifying organizations for amounts up to 2.5 times the average qualifying monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower is unable to re-hire to the same employment level on or before December 31, 2020, reduces salaries during the covered period, or uses more than forty percent of the money on non-employment expenses.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness, the lender has not commenced accepting loan forgiveness applications.

The Organization continues to examine the impact that the CARES Act may have on its operations. Currently, management is unable to determine the potential impact that the CARES Act will have on the Organization's financial position or its operating results.