

BUNKER LABS NFP, INC.

Financial Statements

June 30, 2019 and 2018

BUNKER LABS NFP, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bunker Labs NFP, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bunker Labs NFP, Inc. (the "Organization"), which comprise of the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

Bunker Labs NFP, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bunker Labs NFP, Inc. as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
December 11, 2019

BUNKER LABS NFP, INC.
Statements of Financial Position
June 30, 2019 and 2018

| | 2019 | 2018 |
|--|--------------|--------------|
| <u>ASSETS</u> | | |
| Assets | | |
| Cash and cash equivalents | \$ 2,148,420 | \$ 1,772,093 |
| Contributions receivable | 4,310,768 | 280,000 |
| Other assets | 18,450 | 14,000 |
| Total Assets | \$ 6,477,638 | \$ 2,066,093 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities | | |
| Accounts payable | \$ 217,410 | \$ 78,405 |
| Deferred revenue | - | - |
| Total Liabilities | 217,410 | 78,405 |
| Net Assets | | |
| Net assets with donor restrictions | 5,572,169 | 513,476 |
| Net assets without donor restrictions | 688,059 | 1,474,212 |
| Total Net Assets | 6,260,228 | 1,987,688 |
| Total Liabilities and Net Assets | \$ 6,477,638 | \$ 2,066,093 |

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

BUNKER LABS NFP, INC.
Statement of Activities
For the Year Ended June 30, 2019

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--------------------------------------|---|--|---------------------|
| Revenues and Support | | | |
| Corporate and foundation grants | \$ 1,632,415 | \$ 7,765,494 | \$ 9,397,909 |
| Donations | 140,400 | - | 140,400 |
| In-kind contributions | 596,250 | - | 596,250 |
| Special events income | 55,191 | - | 55,191 |
| Special events expense | (6,790) | - | (6,790) |
| Interest income | 1,145 | - | 1,145 |
| Total Revenues | <u>2,418,611</u> | <u>7,765,494</u> | <u>10,184,105</u> |
| Net assets released from restriction | <u>2,706,801</u> | <u>(2,706,801)</u> | <u>-</u> |
| Total Revenues and Support | <u>5,125,412</u> | <u>5,058,693</u> | <u>10,184,105</u> |
| Expenses | | | |
| Program expense | 4,787,799 | - | 4,787,799 |
| General and administrative expenses | 497,429 | - | 497,429 |
| Fundraising expenses | 626,337 | - | 626,337 |
| Total Expenses | <u>5,911,565</u> | <u>-</u> | <u>5,911,565</u> |
| Change in Net Assets | (786,153) | 5,058,693 | 4,272,540 |
| Net Assets - Beginning of Year | <u>1,474,212</u> | <u>513,476</u> | <u>1,987,688</u> |
| Net Assets - End of Year | <u>\$ 688,059</u> | <u>\$ 5,572,169</u> | <u>\$ 6,260,228</u> |

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

BANKER LABS NFP, INC.
Statement of Activities
For the Year Ended June 30, 2018

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--------------------------------------|---|--|------------------|
| Revenues and Support | | | |
| Corporate and foundation grants | \$ 1,034,594 | \$ 1,074,000 | \$ 2,108,594 |
| Donations | 268,526 | - | 268,526 |
| In-kind contributions | 494,860 | - | 494,860 |
| Special events income | 80,164 | - | 80,164 |
| Special events expense | (6,645) | - | (6,645) |
| Flow through revenue | 907,524 | - | 907,524 |
| Flow through expense | (907,524) | - | (907,524) |
| Interest income | 53 | - | 53 |
| Total Revenues | 1,871,552 | 1,074,000 | 2,945,552 |
| Net assets released from restriction | 560,524 | (560,524) | - |
| Total Revenues and Support | 2,432,076 | 513,476 | 2,945,552 |
| Expenses | | | |
| Program expense | 1,925,868 | - | 1,925,868 |
| General and administrative expenses | 212,542 | - | 212,542 |
| Fundraising expenses | 159,451 | - | 159,451 |
| Total Expenses | 2,297,861 | - | 2,297,861 |
| Change in Net Assets | 134,215 | 513,476 | 647,691 |
| Net Assets - Beginning of Year | 1,339,997 | - | 1,339,997 |
| Net Assets - End of Year | \$ 1,474,212 | \$ 513,476 | \$ 1,987,688 |

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

BUNKER LABS NFP, INC.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|--------------|--------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 4,272,540 | \$ 647,691 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities- | | |
| (Increase) decrease in assets- | | |
| Contributions receivable | (4,030,768) | (280,000) |
| Other assets | (4,450) | - |
| Increase (decrease) in liabilities- | | |
| Accounts payable | 139,005 | 74,539 |
| Accrued compensation | - | - |
| Deferred revenue | - | (238,556) |
| | 376,327 | 203,674 |
| Net Cash Provided by (Used in) Operating Activities | 376,327 | 203,674 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 376,327 | 203,674 |
| Cash and Cash Equivalents - Beginning of Year | 1,772,093 | 1,568,419 |
| Cash and Cash Equivalents - End of Year | \$ 2,148,420 | \$ 1,772,093 |
| | * * * * * | |
| Supplemental Disclosure of Cash Flow Information - | | |
| Cash paid during the year for: | | |
| Income taxes | \$ - | \$ - |
| Interest expense | \$ - | \$ - |

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

BUNKER LABS NFP, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------|----------------------------|---------------------------------------|--------------------------|----------------------------|
| Payroll | \$ 1,608,273 | \$ 178,840 | \$ 357,251 | \$ 2,144,364 |
| Payroll taxes | 124,042 | 13,793 | 27,554 | 165,389 |
| Employee benefits | 322,847 | 35,901 | 71,715 | 430,463 |
| Professional fees | 363,584 | 96,960 | - | 460,544 |
| Occupancy | 606,717 | 99,734 | 124,668 | 831,119 |
| Travel and meals | 669,983 | 12,409 | - | 682,392 |
| Marketing and promotions | 519,214 | - | 45,149 | 564,363 |
| Program expense | 231,598 | - | - | 231,598 |
| Dues and subscriptions | - | 53,316 | - | 53,316 |
| Miscellaneous | 5,776 | - | - | 5,776 |
| Supplies | 126,612 | - | - | 126,612 |
| Insurance | - | 6,476 | - | 6,476 |
| Professional development | 173,040 | - | - | 173,040 |
| Muster | 36,113 | - | - | 36,113 |
| Total Expenses | <u>\$ 4,787,799</u> | <u>\$ 497,429</u> | <u>\$ 626,337</u> | <u>\$ 5,911,565</u> |

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

BUNKER LABS NFP, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------------------------|--------------------|---------------------|
| Payroll | \$ 697,665 | \$ 143,356 | \$ 114,685 | \$ 955,706 |
| Payroll taxes | 56,677 | 11,646 | 9,317 | 77,640 |
| Professional fees | 255,201 | 22,320 | - | 277,521 |
| Occupancy | 544,561 | 9,732 | 12,165 | 566,458 |
| Travel | 63,144 | - | - | 63,144 |
| Meals and entertainment | 52,583 | - | - | 52,583 |
| Marketing and promotions | 85,788 | - | 23,284 | 109,072 |
| Printing | - | 5,708 | - | 5,708 |
| Office expense | 19,600 | - | - | 19,600 |
| Program expense | 79,167 | - | - | 79,167 |
| Dues and subscriptions | - | 2,298 | - | 2,298 |
| Miscellaneous expense | 1,420 | - | - | 1,420 |
| Postage and delivery | - | 995 | - | 995 |
| Supplies | 7,730 | 7,524 | - | 15,254 |
| Insurance | - | 7,950 | - | 7,950 |
| Bank fees | - | 1,013 | - | 1,013 |
| Launch lab online | 26,985 | - | - | 26,985 |
| Technology | 35,347 | - | - | 35,347 |
| Total Expenses | <u>\$ 1,925,868</u> | <u>\$ 212,542</u> | <u>\$ 159,451</u> | <u>\$ 2,297,861</u> |

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note A – Organization and Nature of Activities

Bunker Labs NFP, Inc. (the “Organization”) is an Illinois not-for-profit corporation that was established in 2014 and was organized to aid entrepreneurs who are veterans of the United States military. The Organization provides business training, mentoring, professional development, and office space to veteran owned businesses in Chicago and through affiliates in other cities around the United States. On July, 1 2018, the Organization absorbed the activities of six independent Bunker Labs chapters, bringing the total number of chapters under the Bunker Labs umbrella to twenty-seven.

Note B—Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than one year. Deposits held in all non-interest bearing transactional bank accounts and interest-bearing accounts are aggregated by entity and are fully insured up to \$250,000.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized customer obligations. Payments of accounts receivable are allocated to the specific invoices identified on the customer’s remittance or, if unspecified, investigated to identify the appropriate invoice to which to apply the payment.

Management reviews all individual customer accounts receivable balances that exceed ninety (90) days from invoice date and based on the assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Based upon these reviews management believed all accounts receivable to be fully collectible and, accordingly, no allowance for uncollectible accounts receivable is reflected in the accompanying financial statements.

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note B—Summary of Significant Accounting Policies (continued)

Deferred Revenues

Deferred revenues represent certification and recertification fees that are recognized after the candidate completes the exam as well as other revenues received in advance.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. If the governing board were to designate from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, those funds would also fall under this category.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other costs have been allocated among the program and supporting services benefited based on time devoted to the functional areas by the management team.

Reclassifications

Certain reclassifications have been made to the June 30, 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note C—Income Tax Status (continued)

The Organization qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization files Form 990, Return of Organization Exempt from Income Tax with the Federal government. Management has determined that the Organization has no income tax liability as of June 30, 2019. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2019.

The Organization's 2016-2018 tax years are open for examination by the IRS. Should the Organization's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

Note D – Net Assets with Donor Restrictions

Temporarily restricted net assets of \$5,572,169 and \$513,476 as of June 30, 2019 and 2018, were available to open and provide seed funding to new Bunker locations throughout the country and support various specific initiatives of the Organization.

During the year ended June 30, 2019, there were \$7,765,494 in restricted contributions and \$2,706,801 paid out to open new locations during the year and support specific programs/initiatives. Activity in net assets with donor restrictions was as follows:

| | <u>June 30, 2018</u> | <u>Increase</u> | <u>Decrease</u> | <u>June 30, 2019</u> |
|---------------------------|----------------------|-----------------|-----------------|----------------------|
| Boeing | \$ 100,000 | \$ - | \$ 100,000 | \$ - |
| JP Morgan Chase | 34,750 | 3,000,000 | 1,034,750 | 2,000,000 |
| Got Your 6 | 17,000 | - | 17,000 | - |
| Kaufman Foundation | 238,425 | - | 119,213 | 119,212 |
| McCormick Foundation | 18,301 | 300,000 | 168,301 | 150,000 |
| New Economy Initiative | 5,000 | - | 5,000 | - |
| Newman's Own Foundation | 100,000 | - | 83,333 | 16,667 |
| PriceWaterhouseCoopers | - | 1,111,152 | 70,397 | 1,040,755 |
| USAA | - | 2,000,000 | 268,180 | 1,731,820 |
| NCIDEA | - | 75,000 | 28,125 | 46,875 |
| Launch Tennessee | - | 25,000 | 25,000 | - |
| Brian Hamilton Foundation | - | 50,000 | 20,833 | 29,167 |
| Bob Woodruff Foundation | - | 145,000 | 145,000 | - |
| MetLife Foundation | - | 200,000 | 183,333 | 16,667 |

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note D – Net Assets with Donor Restrictions (continued)

| | | | | |
|-----------------------------|---|-------------------|---------------------|--------------------|
| Ford Motor Company Fund | - | 130,000 | 95,000 | 35,000 |
| Boeing | - | 60,000 | 45,000 | 15,000 |
| Gianforte Family Foundation | - | 35,000 | 23,333 | 11,667 |
| Lincoln Financial | - | 10,000 | 5,000 | 5,000 |
| Business Impact Northwest | - | 39,000 | 3,250 | 35,750 |
| Comcast | - | 21,000 | 14,000 | 7,000 |
| Bank of America | - | 10,000 | 1,667 | 8,333 |
| Prudential | - | 104,342 | 26,086 | 78,256 |
| WBChicago2 | - | 450,000 | 225,000 | 225,000 |
| | | <hr/> | <hr/> | <hr/> |
| Total | | <u>\$ 513,476</u> | <u>\$7,765,494</u> | <u>\$2,706,801</u> |
| | | | <u>\$ 5,572,169</u> | |

During the year ended June 30, 2018, there were \$1,074,000 in restricted contributions and \$560,524 paid out to open new locations during the year and support specific programs/initiatives. Activity in net assets with donor restrictions was as follows:

| | <u>June 30, 2017</u> | <u>Increase</u> | <u>Decrease</u> | <u>June 30, 2018</u> |
|-------------------------|----------------------|--------------------|-------------------|----------------------|
| Boeing | \$ - | \$ 200,000 | \$ 100,000 | \$ 100,000 |
| JP Morgan Chase | - | 300,000 | 265,250 | 34,750 |
| Got Your 6 | - | 34,000 | 17,000 | 17,000 |
| Kaufman Foundation | - | 270,000 | 31,575 | 238,425 |
| McCormick Foundation | - | 50,000 | 31,699 | 18,301 |
| New Economy Initiative | - | 70,000 | 65,000 | 5,000 |
| Newman's Own Foundation | - | 150,000 | 50,000 | 100,000 |
| | | <hr/> | <hr/> | <hr/> |
| Total | <u>\$ -</u> | <u>\$1,074,000</u> | <u>\$ 560,524</u> | <u>\$ 513,476</u> |

Note E - Donated Materials and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed legal services of \$16,800 and contributed office space from WeWork of \$579,450 were recognized as revenue for the year ended June 30, 2019. Contributed legal services of \$9,500 and contributed office space from WeWork of \$485,360 were recognized as revenue for the years ended June 30, 2018. Numerous volunteers have donated significant amounts of time to the Organization. However, no amounts have been reflected in the financial statements for those services.

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note F– Leases (continued)

The Organization has entered into a license agreement for its office and meeting space at the Chicago WeWork location. The Organization also have various “hot desks” at WeWork locations that are on a month to month rent agreements. Rent expense, which includes office, meeting space, and related expenses, for the years ended June 30, 2019 and 2018, was \$191,756 and \$69,819, respectively.

The estimated future minimum rental and lease obligation for the succeeding years in effect as of June 30, 2019 are as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|-------------------|
| 2020 | \$ 96,720 |
| 2021 | <u>72,480</u> |
| | <u>\$ 169,200</u> |

Note G – Administrative Company Agreement

The Organization has an agreement with National Able Network to provide services commonly performed by the accounting department of a non-profit organization. The agreement may be terminated at any time without cause by either party upon not less than 45 days prior written notice. The annual management fee is agreed upon in the annual budgeting process.

Note H—Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts with donor-imposed purpose and time restrictions.

| | 2019 | 2018 |
|--|-----------------------|-------------------------|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | \$ 2,148,420 | \$ 1,772,093 |
| Contributions receivable | 4,310,768 | 280,000 |
| Less contractual or donor-imposed restrictions: | | |
| Donor restrictions for specific purposes | <u>(5,572,169)</u> | <u>(513,476)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 887,019</u> | <u>\$ 1,538,617</u> |

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note I – Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At June 30, 2019, the Organization had \$1,657,225 in excess of FDIC insured limit. At June 30, 2018, the Organization had \$1,522,093 in excess of FDIC insured limit.

Note J - Flow Through Revenue

During the year ended June 30, 2019, the Organization had six independent Bunker Labs affiliated chapters. For some grants and contributions, the Organization received the funds on behalf of the chapter and then passed the grant through to the intended chapter. Effective July 1, 2018, these chapters have been absorbed by the Organization and the result of operations are included in the Organization’s financial statements. During the fiscal years ended June 30, 2019 and 2018, the Organization received grants and contributions of \$-0- and \$907,524, respectively, for affiliated chapters that were passed through the Statement of Activities.

Note K—Subsequent Events

The Organization has determined that no material events or transactions occurred subsequent to June 30, 2019 and through the date of the independent auditors’ report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.