

WORLD T.E.A.M. SPORTS

Holbrook, New York

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
World T.E.A.M. Sports
Holbrook, New York

We have audited the accompanying financial statements of World T.E.A.M. Sports (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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 audits 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 auditors' 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 Organization'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 Organization'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 World T.E.A.M. Sports as of December 31, 2014 and 2013, 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.

Baker Tilly Virchow Krause, LLP

Melville, New York
October 7, 2015

Statements of Financial Position

<i>December 31,</i>	2014	2013
Assets		
Current Assets:		
Cash	\$ 24,700	\$ 75,874
Pledges receivable	75,000	5,000
Prepaid expenses	15,351	14,452
Total Current Assets	<u>115,051</u>	<u>95,326</u>
Property and Equipment:		
Equipment, net	3,247	4,546
Total Assets	<u>\$ 118,298</u>	<u>\$ 99,872</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 19,287	\$ 11,809
Note payable	110,000	-
Deferred revenue	-	3,983
Total Current Liabilities	<u>129,287</u>	<u>15,792</u>
Net Assets:		
Unrestricted net assets	(76,271)	84,080
Temporarily restricted net assets	65,282	-
Total Net Assets	<u>(10,989)</u>	<u>84,080</u>
Total Liabilities and Net Assets	<u>\$ 118,298</u>	<u>\$ 99,872</u>

Statements of Activities and Changes in Net Assets

Year Ended December 31,

	Unrestricted	Temporarily Restricted	Total 2014	Unrestricted and Total 2013
Support and Revenue:				
Donations and pledges	\$ 789,330	\$ 65,282	\$ 854,612	\$ 455,134
In-kind donations	1,092	-	1,092	69,351
Merchandise sales	6,236	-	6,236	9,549
Interest income	535	-	535	4,338
Miscellaneous income	1,603	-	1,603	277
Total Support and Revenue	<u>798,796</u>	<u>65,282</u>	<u>864,078</u>	<u>538,649</u>
Expenses:				
Program and event expenses:				
Face of America	359,066	-	359,066	390,466
Adventure Team Challenge	161,770	-	161,770	159,477
Can Am	272,668	-	272,668	-
Coastal Team Challenge	55,851	-	55,851	-
Other program and events	66,525	-	66,525	111,450
Total program services	<u>915,880</u>	<u>-</u>	<u>915,880</u>	<u>661,393</u>
Management and general	18,662	-	18,662	18,667
Fundraising	24,605	-	24,605	43,347
Total Expenses	<u>959,147</u>	<u>-</u>	<u>959,147</u>	<u>723,407</u>
Change in Net Assets and Total Net Assets	(160,351)	65,282	(95,069)	(184,758)
Net Assets, beginning of year	84,080	-	84,080	268,838
Net Assets, end of year	<u>\$ (76,271)</u>	<u>\$ 65,282</u>	<u>\$ (10,989)</u>	<u>\$ 84,080</u>

Statement of Functional Expenses

Year Ended December 31, 2014 (with summarized comparative totals for 2013)

	Face of America	Adventure Team Challenge	Can Am Challenge	Coastal Team Challenge	Other Programs and Events	Management and General	Fundraising	Total Expenses	2013 Total
Functional Expenses:									
Salary	\$ 56,036	\$ 31,673	\$ 51,164	\$ 17,055	\$ 17,055	\$ 8,527	\$ 13,400	\$ 194,910	\$ 36,344
Lodging	66,848	6,466	49,704	298	-	507	-	123,823	49,174
Clothing and gear	37,037	15,243	18,747	425	4,797	1,076	-	77,325	17,087
Event independent contractor	1,495	54,200	9,945	-	2,340	252	-	68,232	44,255
Food	50,342	5,048	8,811	2,657	-	483	-	67,341	53,661
Supplies	4,234	1,632	36,700	20,331	-	243	-	63,140	59,435
Other	13,678	7,258	20,601	3,116	3,205	1,811	2,450	52,119	35,811
Advertising	9,236	2,988	8,826	1,609	26,909	804	1,264	51,636	38,755
Travel	11,301	8,284	23,550	1,355	781	364	417	46,052	47,686
Injured military travel	37,859	-	-	-	-	-	-	37,859	3,783
Professional fees	8,786	4,966	8,022	2,674	2,674	1,337	2,101	30,560	23,089
Equipment rental	25,901	1,290	552	-	33	-	-	27,776	34,995
Insurance	7,924	4,479	7,235	2,412	2,412	1,206	1,895	27,563	24,383
Registration and processing fees	7,588	4,289	6,928	2,309	2,309	1,155	1,815	26,393	18,540
Vehicle rental	5,101	9,283	10,365	-	-	-	-	24,749	-
Transportation and gas	10,412	1,682	6,689	-	-	92	-	18,875	10,881
Payroll taxes	4,601	2,601	4,201	1,400	1,400	700	1,100	16,003	3,571
Expedition cost	-	-	-	-	2,400	-	-	2,400	-
Depreciation	373	211	341	114	114	57	89	1,299	1,299
Donated rent and utilities	314	177	287	96	96	48	74	1,092	1,026
Independent contractors	-	-	-	-	-	-	-	-	151,307
Donated salaries	-	-	-	-	-	-	-	-	68,325
Total Functional Expenses	\$ 359,066	\$ 161,770	\$ 272,668	\$ 55,851	\$ 66,525	\$ 18,662	\$ 24,605	\$ 959,147	\$ 723,407

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2013

	Face of America	Adventure Team Challenge	Other Programs and Events	Management and General	Fundraising	Total Expenses
Functional Expenses:						
Independent contractors	\$ 57,497	\$ 28,749	\$ 40,853	\$ 7,565	\$ 16,643	\$ 151,307
Donated salaries	25,963	12,982	18,448	3,416	7,516	68,325
Supplies	39,933	19,111	193	198	-	59,435
Food	48,769	4,878	14	-	-	53,661
Lodging	44,823	4,107	-	244	-	49,174
Travel	32,149	13,023	1,554	364	596	47,686
Event independent contractor	3,600	40,505	150	-	-	44,255
Salary	13,811	6,905	9,813	1,817	3,998	36,344
Advertising	20,845	5,489	7,799	1,444	3,178	38,755
Other	13,824	6,641	11,840	-	3,506	35,811
Equipment rental	33,024	600	1,371	-	-	34,995
Insurance	9,266	4,633	6,583	1,219	2,682	24,383
Professional fees	8,774	4,387	6,234	1,154	2,540	23,089
Registration and processing fees	7,045	3,523	5,006	927	2,039	18,540
Clothing and gear	15,530	1,557	-	-	-	17,087
Transportation and gas	9,590	1,267	-	24	-	10,881
Payroll taxes	1,357	678	964	179	393	3,571
Injured military travel	3,783	-	-	-	-	3,783
Depreciation	493	247	351	65	143	1,299
Donated rent and utilities	390	195	277	51	113	1,026
Total Functional Expenses	\$ 390,466	\$ 159,477	\$ 111,450	\$ 18,667	\$ 43,347	\$ 723,407

Statements of Cash Flows

<i>Years Ended December 31,</i>	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	<u>\$ (95,069)</u>	<u>\$ (184,758)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,299	1,299
(Increase) decrease in assets:		
Pledges receivable	(70,000)	26,900
Prepaid expenses	(899)	1,531
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	7,478	(14,884)
Deferred revenue	<u>(3,983)</u>	<u>549</u>
Total adjustments	<u>(66,105)</u>	<u>15,395</u>
Net Cash Used in Operating Activities	<u>(161,174)</u>	<u>(169,363)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	<u>110,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>110,000</u>	<u>-</u>
Net Decrease in Cash	(51,174)	(169,363)
Cash, beginning of year	<u>75,874</u>	<u>245,237</u>
Cash, end of year	<u><u>\$ 24,700</u></u>	<u><u>\$ 75,874</u></u>

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

1. Summary of Significant Accounting Policies

Nature of operations - World T.E.A.M. Sports (the "Organization") is a nonprofit corporation organized for the purpose of using sporting activities to challenge disabled and able bodied men, women, and children to reach accomplishments they never thought possible. Support for the Organization is received primarily through individual and corporate donations and sponsorships.

Management's plan - The Organization has experienced operating losses for the years ended December 31, 2014 and 2013. For the year ended December 31, 2014, the Organization has a net deficit in unrestricted net assets attributable to these operating losses. Management plans to reduce spending on special events in line with related revenues and is soliciting new donors for the Organization.

Basis of accounting - The financial statements of the Organization are presented on the accrual basis of accounting.

Contributions - The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted contributions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in unrestricted net assets.

The Organization reports gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets - The net assets of the Organization are reported as follows:

Unrestricted - Net assets which are not donor restricted and are available for general operations.

Temporarily restricted - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization.

Permanently restricted - Net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit the Organization to utilize earnings for unrestricted or temporarily restricted purposes.

Donated services, materials and facility - Donated services requiring specific expertise and donated materials and facility are recorded as in-kind contributions and expenses or capitalized at their fair value as determined by donors.

The Organization received donated services, materials, and facility of approximately \$1,000 and \$69,000 related to legal, vehicle, office space, and executive director services for the years ended December 31, 2014 and 2013, respectively.

During the year, a number of volunteers have donated significant amounts of time to the Organization's events. However, this time has not been reflected in the accompanying financial statements, since it does not meet the requirement of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958 "Not-for-Profit Entities".

Cash and cash equivalents - The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less on the date of purchase to be cash equivalents.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Property, equipment and depreciation - Property and equipment are capitalized at cost when acquired. Donated fixed assets are recorded at fair value at the date of donation. The Organization capitalizes property and equipment acquisitions in excess of \$1,000. Depreciation is computed over periods ranging from five to ten years on a straight-line basis.

Functional allocations of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the events benefited.

Income taxes - World T.E.A.M. Sports qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit organization under the laws of North Carolina. Accordingly, no provision for federal or state income taxes is required.

Uncertain tax positions - Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustments to the financial statements to comply with the provisions of FASB ASC 740. The Organization is no longer subject to income tax examination by the federal, state, or local tax authorities for the years before 2011, which is the standard statute of limitations look-back period.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for doubtful accounts - Management must make estimates of uncollectability of accounts receivable. Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment trends and rates when evaluating the adequacy of the allowance for doubtful accounts. As of December 31, 2014 and 2013, there is no allowance for doubtful accounts.

Evaluation of subsequent events - Management evaluates subsequent events for inclusion or disclosure in the financial statements through the date the financial statements are available for issuance, which is October 7, 2015.

2. Pledges Receivable

Pledges receivable are due within one year.

3. Line of Credit

On August 26, 2013, the Organization obtained a revolving line of credit with a maximum amount of \$150,000 from a financial institution. Any borrowing under the line bears interest at a variable rate based on the prime rate plus .5% at December 31, 2014. The line will continue until demand is made on the line or until the line is terminated by either party. Interest expense for the year ended December 31, 2014 was approximately \$300. At December 31, 2014, the total amount outstanding was \$110,000. Borrowings on the line were paid in full on May 27, 2015.

4. Temporarily Restricted Net Assets

As of December 31, 2014, temporarily restricted net assets consist of \$50,000 for specified expenses and \$15,282 for the 2015 Face of America event. There were no temporarily restricted net assets as of December 31, 2013.

5. Concentrations

During the years ended December 31, 2014 and 2013, approximately 26% and 29% of contributions, respectively, were from board members.