

**BUNKER LABS NFP, INC.**

**Financial Statements**

**June 30, 2018 and 2017**

**BUNKER LABS NFP, INC.**

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# BARNES, GIVENS & BARNES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS  
200 EAST EVERGREEN AVENUE, SUITE 117  
MOUNT PROSPECT, ILLINOIS 60056-3240  
224-764-2442 FAX: 224-764-2448  
bgbcpas.com

## 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, 2018 and 2017, and the related statements of activities, 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 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.

**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, 2018 and 2017, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Barnes, Givens & Barnes, Ltd.*

Mount Prospect, Illinois  
November 5, 2018

**BUNKER LABS NFP, INC.**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	2018	2017
<b><u>ASSETS</u></b>		
Assets		
Cash and cash equivalents	\$ 1,772,093	\$ 1,568,419
Contributions receivable	280,000	-
Other assets	14,000	14,000
Total Assets	\$ 2,066,093	\$ 1,582,419
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Accounts payable	\$ 78,405	\$ 3,866
Accrued compensation	-	-
Deferred revenue	-	238,556
Total Liabilities	78,405	242,422
Net Assets		
Temporarily restricted	513,476	-
Unrestricted	1,474,212	1,339,997
Total Net Assets	1,987,688	1,339,997
Total Liabilities and Net Assets	\$ 2,066,093	\$ 1,582,419

See Accompanying Notes to Financial Statements and  
Independent Auditors' Report

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

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Corporate and foundation grants	\$ 772,334	\$ 1,074,000	\$ 1,846,334
Donations	268,526	-	268,526
In-kind contributions	495,860	-	497,860
Program income	24,260	-	24,260
Sponsorship	238,000	-	238,000
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	<u>1,871,552</u>	<u>1,074,000</u>	<u>2,948,552</u>
Net assets released from restriction	560,524	(560,524)	-
Total Revenues and Support	<u>2,432,076</u>	<u>513,476</u>	<u>2,948,552</u>
Expenses			
Program expense	1,925,868	-	1,928,868
General and administrative expenses	212,542	-	212,542
Fundraising expenses	159,451	-	159,451
Total Expenses	<u>2,297,861</u>	<u>-</u>	<u>2,300,861</u>
Change in Net Assets	134,215	513,476	647,691
Net Assets - Beginning of Year	<u>1,339,997</u>	<u>-</u>	<u>1,339,997</u>
Net Assets - End of Year	<u>\$ 1,474,212</u>	<u>\$ 513,476</u>	<u>\$ 1,987,688</u>

See Accompanying Notes to Financial Statements and  
Independent Auditors' Report

**BUNKER LABS NFP, INC.**  
Statement of Activities  
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Support</b>			
Corporate and foundation grants	\$ 1,163,250	\$ -	\$ 1,163,250
Donations	87,438	-	87,438
Program income	-	-	-
Sponsorship	295,000	-	295,000
Special events income	36,500	-	36,500
Special events expense	(3,368)	-	(3,368)
Flow through revenue	932,010	-	932,010
Flow through expense	(932,010)	-	(932,010)
Interest income	-	-	-
<b>Total Revenues</b>	<b>1,578,820</b>	<b>-</b>	<b>1,578,820</b>
Net assets released from restriction	855,000	(855,000)	-
<b>Total Revenues and Support</b>	<b>2,433,820</b>	<b>(855,000)</b>	<b>1,578,820</b>
<b>Expenses</b>			
Program expense	964,130	-	964,130
General and administrative expenses	126,068	-	126,068
Fundraising expenses	132,980	-	132,980
<b>Total Expenses</b>	<b>1,223,178</b>	<b>-</b>	<b>1,223,178</b>
<b>Change in Net Assets</b>	<b>1,210,642</b>	<b>(855,000)</b>	<b>355,642</b>
Net Assets - Beginning of Year	129,355	855,000	984,355
Net Assets - End of Year	<u>\$ 1,339,997</u>	<u>\$ -</u>	<u>\$ 1,339,997</u>

See Accompanying Notes to Financial Statements and  
Independent Auditors' Report

**BUNKER LABS NFP, INC.**  
 Statements of Cash Flows  
 For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 647,691	\$ 355,642
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
(Increase) decrease in assets-		
Contributions receivable	(280,000)	-
Other assets	-	-
Increase (decrease) in liabilities-		
Accounts payable	74,539	3,866
Accrued compensation	-	(2,669)
Deferred revenue	(238,556)	238,556
	203,674	595,395
Net Cash Provided by (Used in) Operating Activities	203,674	595,395
Net Increase (Decrease) in Cash and Cash Equivalents	203,674	595,395
Cash and Cash Equivalents - Beginning of Year	1,568,419	973,024
Cash and Cash Equivalents - End of Year	\$ 1,772,093	\$ 1,568,419

See Accompanying Notes to Financial Statements and  
 Independent Auditors' Report



**BUNKER LABS NFP, INC.**  
Notes to Financial Statements  
June 30, 2018 and 2017

**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.

**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.

**Basis of Presentation**

Information regarding the financial position and activities of the Organization are reported in three classes of net assets as applicable: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**—Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Organization as it currently does not receive any restricted resources. Board designated amounts are part of unrestricted net assets.
- **Temporarily Restricted Net Assets**—Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions).
- **Permanently Restricted Net Assets**—Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income can be expended.

**BUNKER LABS NFP, INC.**  
Notes to Financial Statements  
June 30, 2018 and 2017

**Note B—Summary of Significant Accounting Policies (continued)**

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.

Accounts Receivable

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.

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.

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.

**BUNKER LABS NFP, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**Note B—Summary of Significant Accounting Policies (continued)**

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**Note C—Income Tax Status**

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, 2018. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2018. The Organization's 2014-2017 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 – Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$513,476 and \$-0- as of June 30, 2018 and 2017, 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, 2018, there were \$1,074,000 in temporarily restricted contributions and \$560,524 paid out to open new locations during the year and support specific programs/initiatives. Activity in temporarily restricted net assets 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
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	\$ -	\$1,074,000	\$ 560,524	\$ 513,476

**BUNKER LABS NFP, INC.**  
Notes to Financial Statements  
June 30, 2018 and 2017

**Note D – Temporarily Restricted Net Assets (continued)**

During the year ended June 30, 2017, there were \$-0- in temporarily restricted contributions and \$855,000 paid out to open new locations during the year and support specific programs/initiatives. Activity in temporarily restricted net assets was as follows:

	<u>June 30, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2017</u>
Bunker Chapter Support	\$ 855,000	\$ -	\$ 855,000	\$ -
Total	<u>\$ 855,000</u>	<u>\$ -</u>	<u>\$ 855,000</u>	<u>\$ -</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 \$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.

**Note F– Leases**

The Organization has entered into a license agreement for its office and meeting space at The Merchandise Mart, in Chicago, Illinois and at the Chicago WeWork location. Rent expense, which includes office, meeting space, and related expenses, for the year ended June 30, 2018 and 2017, was \$69,819 and \$73,750, respectively.

The estimated future minimum rental and lease obligation for the succeeding years in effect as of June 30, 2018 are as follows:

<u>Year Ended June 30,</u> 2019	<u>\$ 56,031</u>
	<u>\$ 56,031</u>

**BUNKER LABS NFP, INC.**  
Notes to Financial Statements  
June 30, 2018 and 2017

**Note G – 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, 2018, the Organization had \$1,522,093 in excess of FDIC insured limit.

**Note H – 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 I - Flow Through Revenue**

The Organization has six independent Bunker Labs affiliated chapters. For some grants and contributions, the Organization receives the funds on behalf of the chapter and then passes the grant through to the intended chapter. During the fiscal years ended June 30, 2018 and 2017, the Organization received grants and contributions of \$907,524 and \$932,010, respectively, for affiliated chapters that were passed through the Statement of Activities.

**Note J—Subsequent Events**

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-two.

Other than the matter noted above, the Organization has determined that no material events or transactions occurred subsequent to June 30, 2018 and through the date of the independent auditor's report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.

**SUPPLEMENTARY INFORMATION**

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

	Program	General and Administrative	Fundraising	Total
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	-	280,521
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
<b>Total Expenses</b>	<b>\$ 1,925,868</b>	<b>\$ 212,542</b>	<b>\$ 159,451</b>	<b>\$ 2,297,861</b>

See Independent Auditors' Report

**BUNKER LABS NFP, INC.**  
Schedule of Functional Expenses  
For the Year Ended June 30, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 353,500	\$ 55,000	\$ 110,000	\$ 518,500
Payroll taxes	25,647	4,666	9,189	39,502
Professional fees	163,787	34,672	-	198,459
Occupancy	57,361	8,194	8,194	73,749
Travel	44,777	-	5,597	50,374
Meals and entertainment	22,443	-	-	22,443
Marketing and promotions	-	9,523	-	9,523
Printing	10,420	-	-	10,420
Office expense	27,331	-	-	27,331
Program expense	31,768	-	-	31,768
Dues and subscriptions	-	737	-	737
Postage and delivery	-	3,038	-	3,038
Supplies	-	4,399	-	4,399
Insurance	-	5,005	-	5,005
Bank fees	-	834	-	834
Technology	227,096	-	-	227,096
Total Expenses	<u>\$ 964,130</u>	<u>\$ 126,068</u>	<u>\$ 132,980</u>	<u>\$ 1,223,178</u>

See Independent Auditors' Report