

BUNKER LABS NFP, INC.

Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements. The financial statements of Bunker Labs NFP, Inc. as of June 30, 2016 were audited by other auditors whose report, dated October 31, 2016, expressed an unmodified opinion on these 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, 2017 and 2016, 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, 2017

BUNKER LABS NFP, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
Assets		
Cash and cash equivalents	\$ 1,568,419	\$ 973,024
Other assets	14,000	14,000
Total Assets	\$ 1,582,419	\$ 987,024
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 3,866	\$ -
Accrued compensation	-	2,669
Deferred revenue	238,556	-
Total Liabilities	242,422	2,669
Net Assets		
Temporarily restricted	-	855,000
Unrestricted	1,339,997	129,355
Total Net Assets	1,339,997	984,355
Total Liabilities and Net Assets	\$ 1,582,419	\$ 987,024

See Accompanying Notes and Independent Auditorsø Report

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

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Corporate and foundation grants	\$ 2,498,987	\$ -	\$ 2,498,987
Government grants	-	-	-
Donations	13,828	-	13,828
Program income	1,043	-	1,043
Sponsorship	-	-	-
Interest income	340	-	340
Total Revenue	<u>2,514,198</u>	<u>-</u>	<u>2,514,198</u>
Net assets released from restriction	<u>855,000</u>	<u>(855,000)</u>	<u>-</u>
Total Revenues and Support	<u>3,369,198</u>	<u>(855,000)</u>	<u>2,514,198</u>
Expenses			
Program expense	1,899,508	-	1,899,508
General and administrative	126,068	-	126,068
Fundraising expenses	<u>132,980</u>	<u>-</u>	<u>132,980</u>
Total Expenses	<u>2,158,556</u>	<u>-</u>	<u>2,158,556</u>
Change in Net Assets	1,210,642	(855,000)	355,642
Net Assets - Beginning of Year	<u>129,355</u>	<u>855,000</u>	<u>984,355</u>
Net Assets - End of Year	<u>\$ 1,339,997</u>	<u>\$ -</u>	<u>\$ 1,339,997</u>

See Accompanying Notes and Independent Auditorsø Report

BUNKER LABS NFP, INC.
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Corporate and foundation grants	\$ 1,092,595	\$ 723,809	\$ 1,816,404
Government grants	-	-	-
Donations	4,219	-	4,219
Program income	13,615	-	13,615
Sponsorship	6,425	-	6,425
Interest income	617	-	617
Total Revenue	<u>1,117,471</u>	<u>723,809</u>	<u>1,841,280</u>
Net assets released from restriction	<u>11,309</u>	<u>(11,309)</u>	<u>-</u>
Total Revenues and Support	<u>1,128,780</u>	<u>712,500</u>	<u>1,841,280</u>
Expenses			
Program expense	994,052	-	994,052
General and administrative	97,870	-	97,870
Fundraising expenses	<u>27,845</u>	<u>-</u>	<u>27,845</u>
Total Expenses	<u>1,119,767</u>	<u>-</u>	<u>1,119,767</u>
Other Expense	<u>(99)</u>	<u>-</u>	<u>(99)</u>
Change in Net Assets	8,914	712,500	721,414
Net Assets - Beginning of Year	<u>120,441</u>	<u>142,500</u>	<u>262,941</u>
Net Assets - End of Year	<u>\$ 129,355</u>	<u>\$ 855,000</u>	<u>\$ 984,355</u>

See Accompanying Notes and Independent Auditors' Report

BUNKER LABS NFP, INC.
 Statements of Cash Flows
 For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 355,642	\$ 721,414
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
(Increase) decrease in assets-		
Contributions receivable	-	75,000
Other assets	-	-
Increase (decrease) in liabilities-		
Accounts payable	3,866	(12,310)
Accrued compensation	(2,669)	2,669
Deferred revenue	238,556	-
	<u>595,395</u>	<u>786,773</u>
Net Cash Provided by (Used in) Operating Activities	<u>595,395</u>	<u>786,773</u>
Net Increase (Decrease) in Cash and Cash Equivalents	595,395	786,773
Cash and Cash Equivalents - Beginning of Year	<u>973,024</u>	<u>186,251</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,568,419</u>	<u>\$ 973,024</u>

See Accompanying Notes and Independent Auditors' Report

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016

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 company.

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2017 and 2016

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 recognizes the amount of taxes payable or refundable annually. Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax-basis carrying amounts. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactment date occurs. A valuation allowance is provided for deferred tax assets if it is more likely than not that temporary differences will not be realized.

Effective January 1, 2009, the Organization adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of this change in accounting principle had no effect on the Organization's financial statements. The FASB has determined that a non-profit organization asserting that it is tax exempt is an uncertain tax position challengeable by the IRS.

In assessing the recognition of deferred tax assets, management considers whether it is more likely than not that some portion of or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the period in which deferred tax assets are deductible, management believes it is more likely than not that the Organization would realize the benefits of deductible temporary differences, net of existing valuation allowances.

The Organization recognizes interest and penalties related to unrecognized tax benefits within the provision for income taxes on continuing operations in the accompanying statement of activities. The Organization did not experience a significant increase or decrease in the total amounts of unrecognized tax benefits during the fiscal year ended June 30, 2017. Income tax returns filed by the Organization are subject to examination by tax authorities until November 15, 2020.

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2017 and 2016

Note C—Income Tax Status (continued)

Management believes that the Organization has appropriate support for all positions taken on its tax returns and that the annual tax provision includes amounts sufficient to pay any assessments of tax, interest, and penalties. Nonetheless, any amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued for each year. 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, 2017.

Note D – Temporarily Restricted Net Assets

Temporarily restricted net assets of \$-0- as of June 31, 2017, were available to open and provide seed funding to new Bunker locations throughout the country. During the year ended June 30, 2017, there were \$-0- in temporarily restricted contributions and \$855,000 paid out to open six new locations during the year.

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 Services

No amounts have been reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program and support service.

BUNKER LABS NFP, INC.
Notes to Financial Statements
June 30, 2017 and 2016

Note F— Leases

The Organization has entered into a license agreement for its office and meeting space at The Merchandise Mart, in Chicago, Illinois. Rent expense, which includes office, meeting space, and related expenses, for the year ended June 30, 2017 and 2016, was \$73,750 and \$66,000, respectively.

The estimated future minimum rental and lease obligation for the succeeding years in effect as of June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 76,875
2019	<u>39,375</u>
	<u>\$ 116,250</u>

Note G—Subsequent Events

The Organization has determined that no material events or transactions occurred subsequent to June 30, 2017 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.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Bunker Labs NFP, Inc. (the "Organization") as of and for the years ended June 30, 2017 and 2016, and our report thereon dated December 11, 2017, which contained an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Functional Expenses on pages 13 and 14 are presented for purposes of additional analysis of the financial statements 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 supplementary information on pages 13 and 14 are fairly stated in all material respects in relation to the financial statements as a whole.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
December 11, 2017

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	25,811	-	-	25,811
Marketing and promotions	-	9,523	-	9,523
Printing	10,420	-	-	10,420
Office expense	27,331	-	-	27,331
Program expense	963,778	-	-	963,778
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>\$ 1,899,508</u>	<u>\$ 126,068</u>	<u>\$ 132,980</u>	<u>\$ 2,158,556</u>

See Independent Auditors' Report on Supplementary Information

BUNKER LABS NFP, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2016

	Program	General and Administrative	Fundraising	Total
Payroll	\$ 270,875	\$ 22,000	\$ 4,583	\$ 297,458
Payroll taxes	21,155	1,718	358	23,231
Professional fees	126,279	48,880	20,425	195,584
Occupancy	56,595	8,150	1,255	66,000
Travel	20,543	-	-	20,543
Meals and entertainment	13,487	-	-	13,487
Marketing and promotion	28,079	6,459	-	34,538
Printing	4,684	-	-	4,684
Office expense	14,127	1,544	772	16,443
Program expense	430,000	-	-	430,000
Dues and subscriptions	549	-	-	549
Insurance	1,342	158	79	1,579
Postage and delivery	6,337	746	373	7,456
Supplies	-	3,557	-	3,557
Bank and finance charges	-	3,565	-	3,565
Repairs and maintenance	-	1,093	-	1,093
Total Expenses	<u>\$ 994,052</u>	<u>\$ 97,870</u>	<u>\$ 27,845</u>	<u>\$ 1,119,767</u>

See Independent Auditors' Report on Supplementary Information