

BUNKER LABS NFP, INC.

Financial Statements

For the Six Months Ended December 31, 2021

BUNKER LABS NFP, INC.

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INDEPENDENT AUDITOR'S 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. (a not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the period from July 1, 2021 to December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the period from July 1, 2021 to December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois

November 21, 2022

BUNKER LABS NFP, INC.
Statement of Financial Position
December 31, 2021

ASSETS

| | |
|---------------------------|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 2,515,927 |
| Contributions receivable | 1,394,760 |
| Other assets | <u>27,600</u> |
| Total Assets | <u>\$ 3,938,287</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|---------------------|
| Liabilities | |
| Accounts payable | <u>\$ 222,555</u> |
| Total Liabilities | <u>222,555</u> |
| Net Assets | |
| Net assets without donor restrictions | 1,056,005 |
| Net assets with donor restrictions | <u>2,659,727</u> |
| Total Net Assets | <u>3,715,732</u> |
| Total Liabilities and Net Assets | <u>\$ 3,938,287</u> |

See Accompanying Notes to Financial Statements

BUNKER LABS NFP, INC.
Statement of Activities
For the Six Months Ended December 31, 2021

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--------------------------------------|---------------------------------------------|------------------------------------------|---------------------|
| Revenues and Support | | | |
| Corporate and foundation grants | \$ 1,171,298 | \$ 2,342,240 | \$ 3,513,538 |
| Donations | 86,239 | 410,000 | 496,239 |
| Flow through revenue | - | 300,000 | 300,000 |
| In-kind contributions | 844,734 | - | 844,734 |
| Other income | 2,562 | - | 2,562 |
| Interest income | 273 | - | 273 |
| Total Revenues | <u>2,105,106</u> | <u>3,052,240</u> | <u>5,157,346</u> |
| Net assets released from restriction | <u>1,253,961</u> | <u>(1,253,961)</u> | <u>-</u> |
| Total Revenues and Support | <u>3,359,067</u> | <u>1,798,279</u> | <u>5,157,346</u> |
| Expenses | | | |
| Program expense | 3,061,129 | - | 3,061,129 |
| General and administrative expenses | 702,107 | - | 702,107 |
| Fundraising expenses | 195,175 | - | 195,175 |
| Total Expenses | <u>3,958,411</u> | <u>-</u> | <u>3,958,411</u> |
| Change in Net Assets | (599,344) | 1,798,279 | 1,198,935 |
| Net Assets - Beginning of Period | <u>1,655,349</u> | <u>861,448</u> | <u>2,516,797</u> |
| Net Assets - End of Period | <u>\$ 1,056,005</u> | <u>\$ 2,659,727</u> | <u>\$ 3,715,732</u> |

See Accompanying Notes to Financial Statements

BUNKER LABS NFP, INC.
Statement of Functional Expenses
For the Six Months Ended December 31, 2021

| | Program | General and Administrative | Fundraising | Total |
|--------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Payroll | \$ 1,673,449 | \$ 361,623 | \$ 168,443 | \$ 2,203,515 |
| Payroll taxes | 75,166 | 16,243 | 7,566 | 98,975 |
| Employee benefits | 42,472 | 9,179 | 4,275 | 55,926 |
| Professional fees | 24,999 | 118,804 | - | 143,803 |
| Occupancy | 782,779 | 29,446 | 162 | 812,387 |
| Travel and meals | 185,267 | 101,177 | 5,576 | 292,020 |
| Marketing and promotions | 35,960 | 23,756 | - | 59,716 |
| Program expense | 199,088 | 2,639 | 405 | 202,132 |
| Dues and subscriptions | 32,458 | 31,911 | 7,195 | 71,564 |
| Miscellaneous | 5,370 | 2,982 | 68 | 8,420 |
| Supplies | 2,751 | 774 | 910 | 4,435 |
| Insurance | - | 1,915 | - | 1,915 |
| Professional development | 1,370 | 1,658 | 575 | 3,603 |
| Total Expenses | <u>\$ 3,061,129</u> | <u>\$ 702,107</u> | <u>\$ 195,175</u> | <u>\$ 3,958,411</u> |

See Accompanying Notes to Financial Statements

BUNKER LABS NFP, INC.
 Statements of Cash Flows
 For the Six Months Ended December 31, 2021

| | |
|----------------------------------------------------------------------------------------------------------|----------------------------|
| Cash Flows from Operating Activities | |
| Change in net assets | \$ 1,198,935 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities- | |
| (Increase) decrease in assets- | |
| Contributions receivable | (920,760) |
| Other assets | (22,613) |
| Increase (decrease) in liabilities- | |
| Accounts payable | <u>67,635</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>323,197</u> |
| Cash Flows from Financing Activities | |
| Notes payable - PPP loan | <u>-</u> |
| Net Cash Provided by (Used in) Financing Activities | <u>-</u> |
| Net Increase in Cash and Cash Equivalents | 323,197 |
| Cash and Cash Equivalents - Beginning of Period | <u>2,192,730</u> |
| Cash and Cash Equivalents - End of Period | <u><u>\$ 2,515,927</u></u> |

* * * * *

Supplemental Disclosure of Cash Flow Information -

Cash paid during the year for:

| | |
|------------------|--------------------|
| Income taxes | <u>\$ -</u> |
| Interest expense | <u><u>\$ -</u></u> |

See Accompanying Notes to Financial Statements

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

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 military veterans, military spouses, and active duty servicemembers. The Organization provides business training, mentoring, professional development, and office space to veteran and military spouse entrepreneurs through in-person programming in cities across the U.S. and virtually. As of December 31, 2021, the Organization provides programming in forty cities.

The Organization has changed in fiscal year to end December 31st.

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.

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note B—Summary of Significant Accounting Policies (continued)

Receivables and Allowance for Doubtful Accounts (continued)

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.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are satisfied in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Flow Through Revenue

The Organization uses the term “flow through” funding to refer to funds granted to the Organization for the explicit purpose of being distributed to military veteran/military spouse entrepreneurs as prizes for pitch competitions. In fall 2021, the Organization secured a large commitment of pitch prize funding for a series of competitions that would take place during 2022. For this reason, the Statement of Activities reflects \$300,000 in flow through revenue where donor restrictions has not yet been met as of December 31, 2021.

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.

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note B—Summary of Significant Accounting Policies (continued)

Net Assets (continued)

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.

New Accounting Standards

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Management is currently assessing the impact of this new standard.

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note B—Summary of Significant Accounting Policies (continued)

COVID-19 Impact

Management has evaluated the impact of the COVID-19 pandemic and have concluded that the net effect on the Organization’s financial position, results of its operations and cash flows were adversely affected. The Organization concluded FY21 with reduced cash reserves due to revenue losses during the pandemic’s first year, and during the second half of 2021 the Organization was then faced with opportunities to resume in-person programming and the need to determine strategies to do so. The Organization leveraged the pandemic’s disruption of in-person gatherings to revamp many aspects of our CEOcircle and Ambassador programs. Beginning in 2021, these programs would include multiple in-person “fly-in” forums. Due to the lifting of travel/gathering restrictions in late 2021, the Organization was able to formally relaunch both of these programs in fall 2021. This is reflected in the financial statements for July – December 2021 as a significant uptick in travel and event expenses compared to the prior period. As discussed in the notes to the Organization’s 2021 audit report, the Organization expects that programmatic expenses will grow with the resumption of in-person programming and continued scaling of our programs. However, the relaunch of in-person programming began late in 2021, and the financial statements for July – December of that year – like those for 2021 – reflect abnormally low programmatic expenses. In 2022 and onward, the Organization expects programmatic expenses to make up a significantly larger portion of organizational expenditures than in 2020 and 2021. Overall, Management considers the donor base to be strong and dedicated, which allowed the Organization to adapt and manage through the COVID-19 pandemic.

Note C – Restatement

During the six-month period ended December 31, 2021, the Organization performed additional analysis and credit card expenses and restricted net assets in the prior year were not properly recorded of June 30, 2021. Accordingly, the Organization has restated its financial statements for the year ended June 30, 2021. The effect of the unrecorded credit card expenses was to decrease the change in net assets for the fiscal year ended June 30, 2021 by \$44,764 and the miscategorized restricted funds was to decrease net assets without donor restrictions and increase net asset with donor restrictions by \$35,417. Therefore, net assets without donor restrictions and net assets with donor restrictions at July 1, 2021 have been restated to \$1,655,349 and \$861,448, respectively. The cumulative effect of this adjustment decreases beginning net assets at July 1, 2021 by \$44,764.

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note D—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 December 31, 2021. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2021. The Organization's 2019-2021 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 E – Net Assets with Donor Restrictions

There were Net Assets of Donor Restrictions of \$2,659,727 as of December 31, 2021, were available to fund specific programs or initiatives of the Organization or to fund the Organization's activities in specific cities or states. During the six-month period ended December 31, 2021, there were \$3,052,240 in restricted contributions and \$2,659,727 paid out to fund specific programs/initiatives or activities in specific geographies. Activity in net assets with donor restrictions was as follows:

| | <u>June 30, 2021</u> | <u>Increase</u> | <u>Decrease</u> | <u>Dec 31, 2021</u> |
|-------------------------|----------------------|-----------------|-----------------|---------------------|
| JP Morgan Chase | \$ 111,111 | \$ 540,000 | \$ 294,837 | \$ 356,274 |
| CK Hall Foundation | - | 2,500 | 2,500 | - |
| McCormick Foundation | 35,417 | 85,000 | 42,499 | 77,918 |
| PriceWaterhouseCoopers | 208,151 | - | 208,151 | - |
| USAA | 83,333 | 1,604,221 | 258,293 | 1,429,261 |
| NCIDEA | 10,769 | - | 9,231 | 1,538 |
| Capital One | - | 50,000 | - | 50,000 |
| MetLife Foundation | 125,000 | 100,000 | 125,000 | 100,000 |
| Padden Murphy Bozeman | - | 6,069 | - | 6,069 |
| Tito's Vodka | - | 1,700 | 1,700 | - |
| Gino Wickman | - | 6,250 | - | 6,250 |
| Wells Fargo | - | 50,000 | 25,000 | 25,000 |
| Bob Woodruff Foundation | 120,000 | - | 94,500 | 25,500 |
| First US Bank | - | 1,500 | - | 1,500 |
| Launch Tennessee | - | 75,000 | 37,500 | 37,500 |
| Intuit | 10,417 | - | 10,417 | - |
| ADP | 8,333 | 50,000 | 8,333 | 50,000 |
| Bank of America | 25,000 | 50,000 | 25,000 | 50,000 |

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note E – Net Assets with Donor Restrictions (continued)

| | | | | |
|----------------------------|-------------------|---------------------|---------------------|---------------------|
| CSX | 2,500 | - | 2,500 | - |
| Gannett Foundation | 50,000 | - | 50,000 | - |
| Lincoln Financial | 5,000 | 10,000 | 5,000 | 10,000 |
| Seattle Economic Dev. Fund | 3,500 | - | 3,500 | - |
| Comm. Fdn. of Texas | 10,000 | - | 7,500 | 2,500 |
| Comcast | 22,917 | - | 12,500 | 10,417 |
| Bulova Stetson Foundation | - | 5,000 | - | 5,000 |
| Fiserv | - | 5,000 | - | 5,000 |
| Mark Nachmann | - | 410,000 | - | 410,000 |
| Ford Motor Company Fund | 30,000 | - | 30,000 | - |
| | <u>30,000</u> | <u>-</u> | <u>30,000</u> | <u>-</u> |
| Total | <u>\$ 861,448</u> | <u>\$ 3,052,240</u> | <u>\$ 1,253,961</u> | <u>\$ 2,659,727</u> |

Note F - 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 office space from WeWork of \$769,734 and contributed cohort fly-in expenses of \$75,000 from JP Morgan Chase were recognized as revenue for the six-month period ended December 31, 2021. 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 G– Leases

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 six-month period ended December 31, 2021, was \$19,951.

The estimated future minimum rental and lease obligation for the succeeding years in effect as of December 31, 2021 are as follows:

| | |
|---------------------------|----------|
| <u>Year Ended Dec 31,</u> | |
| 2022 | \$19,725 |

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note H – Significant Agreements

Administrative Agreement

The Organization has an agreement with Accelerated Growth Advisors to provide services commonly performed by the accounting and technology departments of a non-profit organization. The agreement may be terminated at any time without cause by either party upon not less than 60 days prior written notice. The annual management fee is agreed upon in the annual budgeting process.

Note I—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.

| | |
|----------------------------------------------------------------------------------------------|--------------------------------|
| | <u>2021</u> |
| Financial assets, at year-end: | |
| Cash and cash equivalents | \$ 2,515,927 |
| Contributions receivable | 1,394,760 |
| Less contractual or donor-imposed restrictions: | |
| Donor restrictions for specific purposes | <u>(2,659,727)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u><u>\$ 1,250,960</u></u> |

Note J – Concentration of Custodial Risk

Financial instruments that potentially subject the Organization to concentration of custodial risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2021, the Organization had \$2,015,927 in excess of FDIC insured limit.

BUNKER LABS NFP, INC.
Notes to Financial Statements
December 31, 2021

Note K—Subsequent Events

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in disruption to the Organization's members and revenue streams (including attendance of future conferences and events), and a decline in value of the Organization's marketable securities.

On July 5, 2022, the Organization opened a bank line of credit for any amount up to \$1,750,000. The line of credit is secured by the assets of the Organization and draws on the line of credit which bears interest at Prime + 3.00%.

Other than the matters noted above, the Organization has determined that no material events or transactions occurred subsequent to December 31, 2021 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.