

Stack-Up. Org
Financial Statements
December 31, 2022

Stack-Up.Org

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stack-Up.Org

Opinion

We have audited the accompanying financial statements of Stack-Up.Org (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, 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 Stack-Up. Org as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended 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 Stack-UP.Org 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 Stack-UP.Org'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 Stack-UP.Org'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 Stack-Up. Org'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.

McLee Marcus & Associates, P.C.

Pittsburgh, Pennsylvania
September 30, 2023

Stack-Up.Org
Statement of Financial Position
December 31, 2022

Assets

Current assets:	
Cash and cash equivalents	\$ 229,941
Inventory	69,766
Total current assets	299,707
Property and equipment:	
Equipment and furniture	20,254
Less accumulated depreciation	(9,561)
Net property and equipment	10,693
Other assets:	
Operating lease right of use asset	15,255
Security deposit	1,600
Total other assets	16,855
Total assets	\$ 327,255

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	\$ 11,395
Current portion of operating lease liability	12,128
Total current liabilities	23,523
Long-term liabilities:	
Noncurrent portion of operating lease liability	3,127
Total long-term liabilities:	3,127
Total liabilities	26,650
Net assets:	
Without donor restrictions	218,901
With donor restrictions	81,704
Total net assets	300,605
Total liabilities and net assets	\$ 327,255

See accompanying notes to the financial statements.

Stack-Up.Org
Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenue and Support:			
Grants and contributions	\$ 959,860	\$ 60,803	\$ 1,020,663
Government grants	37,268	-	37,268
In-kind donations	-	65,967	65,967
Miscellaneous	260	-	260
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>106,498</u>	<u>(106,498)</u>	<u>-</u>
 Total revenue and other support	 <u>1,103,886</u>	 <u>20,272</u>	 <u>1,124,158</u>
Expenses:			
Program services	747,022	-	747,022
Management and general	135,396	-	135,396
Fundraising	<u>367,875</u>	<u>-</u>	<u>367,875</u>
 Total expenses	 <u>1,250,293</u>	 <u>-</u>	 <u>1,250,293</u>
 Change in net assets	 (146,407)	 20,272	 (126,135)
 Net assets at beginning of year	 <u>365,308</u>	 <u>61,432</u>	 <u>426,740</u>
 Net assets at end of year	 <u>\$ 218,901</u>	 <u>\$ 81,704</u>	 <u>\$ 300,605</u>

See accompanying notes to the financial statements.

Stack-Up.Org
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Bank fees	\$ 26,155	\$ 138	\$ 26,147	\$ 52,440
Convention	21,566	59	6,475	28,100
Dues and subscriptions	4,190	19,400	6,175	29,765
Game code/equipment expense	163,132	-	-	163,132
Insurance	-	7,966	-	7,966
Marketing	17,166	6,995	19,719	43,880
Meals and entertainment	18,790	44	910	19,744
Miscellaneous	26	-	-	26
Occupancy	38,511	1,311	-	39,822
Office expense	5,338	2,564	3,733	11,635
Phone and internet	57	3,163	-	3,220
Phalanx House expenses	40,506	-	-	40,506
Printing, postage, and shipping	19,027	1,542	-	20,569
Professional fees	-	29,303	26,400	55,703
Salaries and wages	303,375	54,254	238,419	596,048
Payroll taxes	23,597	4,209	18,538	46,344
Travel	65,586	1,498	21,359	88,443
Depreciation	-	2,950	-	2,950
Total functional expenses	\$ 747,022	\$ 135,396	\$ 367,875	\$ 1,250,293

See accompanying notes to the financial statements.

Stack-Up.Org
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ (126,135)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,950
Increase in inventory	(3,103)
Decrease in accounts receivable	25
Increase in accrued expenses	<u>11,395</u>
Net cash used by operating activities	<u>(114,868)</u>
Cash flows from investing activities:	
Purchases of equipment and furniture	<u>(8,665)</u>
Net cash used by investing activities	<u>(8,665)</u>
Net decrease in cash and cash equivalents	(123,533)
Cash and cash equivalents at beginning of year	<u>353,474</u>
Cash and cash equivalents at end of year	<u><u>\$ 229,941</u></u>

See accompanying notes to the financial statements.

Stack-Up.Org

Notes to the Financial Statements

December 31, 2022

(1) **Organization**

Stack-Up.Org (the Organization) is a non-profit organization, which was incorporated in the Commonwealth of Pennsylvania. The Organization's main purpose is to bring both veterans and civilian supporters together through a shared love of video gaming through three primary programs: The Stacks, Supply Crates, and Air Assaults. Stack-Up helps United States, NATO (UK, Canada, etc.), Australian and New Zealand veterans get through deployments to combat zones and recover from traumatic physical and emotional injuries with the power of video gaming.

(2) **Summary of Significant Accounting Policies**

(a) **Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities

(b) **Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Organization's ongoing veteran services and interest earned on investments. Non-operating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature.

Notes to the Financial Statements, continued

December 31, 2022

(2) **Summary of Significant Accounting Policies, continued**

(c) **Furniture and Equipment**

Expenditures for furniture and equipment in excess of \$1,000 are capitalized at their original cost. Donated assets are capitalized at their fair market value at the time of their donations. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (five years). The Organization assesses for impairment losses when conditions warrant.

(d) **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) **Tax Status**

The Internal Revenue Service has determined that the Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation. The Financial Accounting Standards Board has issued FASB ASC No. 740, which clarifies accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FASB ASC No. 740 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S-corporations and limited liability companies. The Organization evaluates uncertain tax positions in accordance with FASB ASC No. 740 and has determined there is no material impact on the Organization's financial position or results of operations for the year ended December 31, 2022.

The Organization annually files a federal Exempt Organization Tax Return (Form 990) as applicable. The filed form is subject to examination by the Internal Revenue Service generally for three years after it is filed.

December 31, 2022

(2) **Summary of Significant Accounting Policies, continued**

(g) **Fair Value**

The Financial Accounting Standards Board (FASB) has issued FASB ASC No. 820, "Fair Value Measurements", which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This pronouncement does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The carrying value of Organization's cash, accounts receivable, accounts payable and accrued expenses approximates fair value primarily because of the short maturity of these instruments. See note #2i on Fair Value of Inventory.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The fair value of contributions receivables is determined at the present value of expected future cash flows using a discount rate based on when the grant was made.

The Board of Directors reviews and approves the Organization's fair value measurement policies and procedures annually. At least annually, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

(h) **Contributions Receivable**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. There were no unconditional promises to give for the year ended December 31, 2022.

Conditional promises to give are recognized when the condition on which they depend are substantially met. There were no conditional promises to give for the year ended December 31, 2022.

December 31, 2022

(2) **Summary of Significant Accounting Policies, continued**

(i) **Inventory valuation**

The Organization receives a substantial amount of donated goods from various game publishers consisting of game codes and game equipment. Inventory consists of undistributed game codes and equipment at year end. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic Fair Value Measurement and Disclosures, fair value was determined using transactional data in similar markets, as determined by face value of the game multiplied by the number of games donated.

(j) **Contributed Nonfinancial Assets**

Contributed nonfinancial assets include donated equipment and other in-kind contributions which are recorded at their stated fair values at the date of donation. Significant services, materials and facilities are donated to the Organization by various individuals and organizations. Donated materials (game codes and equipment) were \$65,967 in 2022, recorded at fair value at the date of donation, and have been included in revenue and inventory. As these games codes and equipment are released to military personnel they are removed from inventory and expensed.

(k) **Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis of time and effort.

(l) **Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the risk-free Treasury rate is used in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

December 31, 2022

(2) **Summary of Significant Accounting Policies, continued**

(l) **Leases, continued**

The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

(m) **Adopted Accounting Standards**

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-02, "*Leases (Topic 842)*." These amendments and related amendments require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The adoption of this standard resulted in the presentation of right to use lease assets and related lease liabilities on the statements of financial position, and additional footnote disclosure. The effects of this adoption were not material to beginning net asset balances and were adjusted through the statements of financial position.

(3) **Concentration of Credit Risk**

The Organization maintains bank accounts at two financial institutions. The balances are insured by the FDIC up to \$250,000. Cash did not exceed the federally insured limits at December 31, 2022. Additionally, the Organization maintains a Paypal account, which is not insured. This account had a balance of \$1,606 at December 31, 2022.

(4) **Compensated Absences**

Employees are not allowed to carry over unused vacation at year end. Therefore, compensated absences are not accrued on the financial statements.

Stack-Up. Org

Notes to the Financial Statements, continued

December 31, 2022

(5) **Net Assets**

Net assets with donor restrictions as of December, 2022 consist of the following:

Phalanx House	\$20,297
Game Program	<u>61,407</u>
Total	<u>\$81,704</u>

Net assets were released from donor restrictions for incurring expenditures for the year ended December 31, 2022 as follows:

Phalanx House	\$ 40,506
Game Program	<u>65,992</u>
Total	<u>\$106,498</u>

Net assets without donor restrictions are as follows:

Undesignated	<u>\$218,901</u>
Total	<u>\$218,901</u>

(6) **Liquidity**

To following represents the Organization's financial assets at December 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 229,941
Total financial assets	<u>229,941</u>
Less amounts not available for general expenditures within one year, excluding inventory:	
Net assets with donor or time restrictions	<u>20,297</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>209,644</u>

The Organization's goal currently is to have enough reserves to cover three months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

Stack-Up.Org

Notes to the Financial Statements, continued

December 31, 2022

(7) **Operating Lease**

The Organization leases warehouse space located in Bunnell, Florida. The lease term expires July 1, 2024. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

Future minimum lease payments are as follows:

2023	\$12,615
2024	<u>3,154</u>
	<u>\$15,769</u>

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended December 31, 2022 was \$12,615.

The following table summarizes supplemental cash flow information for the year ended December 31, 2022:

Operating cash flows from operating leases	\$	12,615
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The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term in years:	
Operating leases	1.30
Weighted-average discount rate:	
Operating leases	5.00%

(8) **Subsequent Events**

Subsequent events were evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued. No subsequent events were noted.