

Stack-Up. Org
Financial Statements
December 31, 2018

Stack-Up.Org

Table of Contents

December 31, 2018

	<u>Pages</u>
Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 12



McGee Maruca & Associates, P.C.

Certified Public Accountants
3111 Banksville Road, Suite 200
Pittsburgh, PA 15216
Ph 412.344.9006
Fax 412.344.9475
Email: office@mcgeemaruca.com
Website: mcgeemaruca.com

Leslie A. McGee, C.P.A.
Lisa Maruca DiPardo, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stack-Up.Org

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, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

Board of Directors
Page 2

Opinion

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, 2018, 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.

McLee Marica & Associates, P.C.

Pittsburgh, Pennsylvania
August 28, 2019

Stack-Up.Org
Statement of Financial Position
December 31, 2018

Assets

Current assets:	
Cash and cash equivalents	\$ 217,337
Inventory	26,168
Total current assets	<u>243,505</u>
Property and equipment:	
Equipment and furniture	4,857
Less accumulated depreciation	<u>(1,431)</u>
Net property and equipment	<u>3,426</u>
Other assets:	
Security deposit	<u> </u>
Total assets	<u><u>\$ 246,931</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	\$ 26,612
Total current liabilities	<u>26,612</u>
Total liabilities	<u>26,612</u>
Net assets:	
Without donor restrictions	201,551
With donor restrictions	<u>18,768</u>
Total net assets	<u>220,319</u>
Total liabilities and net assets	<u><u>\$ 246,931</u></u>

See accompanying notes to the financial statements.

Stack-Up.Org
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenue and Support:			
Grants and contributions	\$ 551,045	\$ -	\$ 551,045
In-kind donations	-	2,464,056	2,464,056
Miscellaneous	4,857	-	4,857
Net assets released from restrictions:			-
Restrictions satisfied by payments	<u>2,469,766</u>	<u>(2,469,766)</u>	<u>-</u>
Total revenue and other support	<u>3,025,668</u>	<u>(5,710)</u>	<u>3,019,958</u>
Expenses:			
Program services	2,825,342	-	2,825,342
Management and general	170,649	-	170,649
Fundraising	<u>150,593</u>	<u>-</u>	<u>150,593</u>
Total expenses	<u>3,146,584</u>	<u>-</u>	<u>3,146,584</u>
Change in net assets	(120,916)	(5,710)	(126,626)
Net assets at beginning of year	<u>322,467</u>	<u>24,478</u>	<u>346,945</u>
Net assets at end of year	<u>\$ 201,551</u>	<u>\$ 18,768</u>	<u>\$ 220,319</u>

See accompanying notes to the financial statements.

Stack-Up.Org
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Bank fees	\$ 13	\$ 189	\$ 29,287	\$ 29,489
Convention	22,862	-	161	23,023
Contractors	21,895	-	-	21,895
Dues and subscriptions	510	3,033	3,830	7,373
Game code donation expense	2,538,966	-	-	2,538,966
Insurance	144	795	-	939
Marketing	14,353	21,289	17,105	52,747
Meals and entertainment	12,499	175	766	13,440
Miscellaneous	-	951	-	951
Occupancy	658	-	-	658
Office expense	-	12,504	1,306	13,810
Phone and internet	-	-	-	-
Printing, postage, and shipping	18,301	230	-	18,531
Professional fees	-	51,402	13,976	65,378
Rent	-	21,750	-	21,750
Salaries and wages	85,771	50,459	74,482	210,712
Payroll taxes	8,249	6,443	6,124	20,816
Travel	101,121	728	3,556	105,405
Depreciation	-	701	-	701
Total functional expenses	<u>\$ 2,825,342</u>	<u>\$ 170,649</u>	<u>\$ 150,593</u>	<u>\$ 3,146,584</u>

See accompanying notes to the financial statements.

Stack-Up.Org
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ (126,626)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	701
Increase in inventory	(1,690)
Decrease in unconditional promises to give	7,000
Decrease in security deposits	450
Increase in accounts payable and accrued expenses	<u>26,612</u>
Net cash used by operating activities	<u>(93,553)</u>
Cash flows from investing activities:	
Purchases of equipment and furniture	<u>(1,354)</u>
Net cash used by investing activities	<u>(1,354)</u>
Net decrease in cash and cash equivalents	(94,907)
Cash and cash equivalents at beginning of year	<u>312,244</u>
Cash and cash equivalents at end of year	<u><u>\$ 217,337</u></u>

See accompanying notes to the financial statements.

Stack-Up.Org

Notes to the Financial Statements

December 31, 2018

(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, 2018

(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, 2018.

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, 2018

(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 \$0 unconditional promises to give for the year ended December 31, 2018.

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, 2018.

Notes to the Financial Statements, continued

December 31, 2018

(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. Inventory consists of undistributed game codes 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) Donated Materials, Facilities, and Services

Significant services, materials and facilities are donated to the Organization by various individuals and organizations. Donated materials (game codes) were \$2,464,056 in 2018, recorded at fair value at the date of donation, and have been included in revenue and inventory. As these games codes 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.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salary and payroll taxes	Time and effort
Insurance	Time and effort
Telephone	Time and effort
Office expense	Time and effort
Convention expense	Time and effort
Marketing	Time and effort
Meals and entertainment	Time and effort
Bank fees	Time and effort
Professional fees	Time and effort
Printing and postage	Time and effort
Dues and subscriptions	Time and effort
Travel	Time and effort

Notes to the Financial Statements, continued

December 31, 2018

(2) **Summary of Significant Accounting Policies, continued**(1) **New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

(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, 2018. Additionally, the Organization maintains a Paypal account, which is not insured. This account had a balance of \$8,015 at December 31, 2018.

(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.

(5) **Net Assets**

Net assets with donor restrictions as of December, 2018 consist of the following:

Game Program	<u>\$18,768</u>
--------------	-----------------

Net assets were released from donor restrictions for incurring expenditures for the year ended December 31, 2018 as follows:

Game Program	<u>\$2,469,766</u>
--------------	--------------------

Net assets without donor restrictions are as follows:

Undesignated	<u>\$201,551</u>
--------------	------------------

Total	<u>\$201,551</u>
-------	------------------

Stack-Up.Org

Notes to the Financial Statements, continued

December 31, 2018

(6) **Liquidity**

To following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ <u>217,337</u>
Total financial assets	<u>217,337</u>
Less amounts not available for general expenditures within one year:	
Net assets with donor or time restrictions	<u>0</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>217,337</u>

The Organization's goal currently is to have enough reserves to cover three months of operating expenses (approximately \$150,000 dollars). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

(7) **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.