

Tap Cancer Out, Inc.

Financial Statements

December 31, 2023

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TAP CANCER OUT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tap Cancer Out, Inc.
Indian Land, South Carolina

Opinion

We have audited the accompanying financial statements of Tap Cancer Out, Inc. (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tap Cancer Out, Inc. as of December 31, 2023, 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 of 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 Tap Cancer Out, Inc. 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 Tap Cancer Out, Inc.'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 auditors' 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.

Tap Cancer Out, Inc.
Indian Land, South Carolina

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 purposes of expressing an opinion on the effectiveness of Tap Cancer Out, Inc.'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 Tap Cancer Out, Inc.'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
July 3, 2024

TAP CANCER OUT, INC.**Statements of Financial Position****December 31, 2023, with prior year comparative totals**

| | December 31, | |
|--|-------------------|-------------------|
| | 2023 | 2022 |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 448,177 | \$ 319,436 |
| Accounts receivable | 9,145 | 58 |
| Prepaid expenses | 62,758 | 42,446 |
| <i>Total Current Assets</i> | 520,080 | 361,940 |
| Long-Term Assets: | | |
| Property and equipment, net | 65,594 | 56,312 |
| Operating right-of-use asset | 192,308 | 73,859 |
| Security deposit | 6,269 | 2,750 |
| <i>Total Long-Term Assets</i> | 264,171 | 132,921 |
| <i>TOTAL ASSETS</i> | \$ 784,251 | \$ 494,861 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 222,952 | \$ 126,542 |
| Current portion of right-of-use operating lease liability | 50,220 | 23,872 |
| Deferred revenue | 48,438 | - |
| <i>Total Current Liabilities</i> | 321,610 | 150,414 |
| Long-Term Liabilities: | | |
| Right-of-use operating lease liability, net of current portion | 145,390 | 52,827 |
| <i>Total Long-Term Liabilities</i> | 145,390 | 52,827 |
| Net Assets Without Donor Restrictions | 317,251 | 291,620 |
| <i>TOTAL LIABILITIES AND NET ASSETS</i> | \$ 784,251 | \$ 494,861 |

TAP CANCER OUT, INC.**Statements of Activities****Year Ended December 31, 2023, with prior year comparative totals**

| | Year Ended December 31, | |
|--|-------------------------|-------------------|
| | 2023 | 2022 |
| <u>REVENUES, GAINS AND OTHER SUPPORT</u> | | |
| Contributions | \$ 2,592,279 | \$ 2,249,719 |
| Event revenue, net of discounts | 730,581 | 688,105 |
| Special events, net of direct benefit expenses | 62,953 | 500 |
| Employee retention tax credit | - | 59,277 |
| Gain on disposal of assets | 3,329 | 4,376 |
| Investment income (loss) | 26,694 | (3,168) |
| Other income | 2,496 | - |
| <i>Total Revenues, Gains and Other Supports</i> | 3,418,332 | 2,998,809 |
| <u>EXPENSES</u> | | |
| Program | 2,733,835 | 2,284,975 |
| Management and general | 287,790 | 238,702 |
| Fundraising | 371,076 | 384,394 |
| <i>Total Expenses</i> | 3,392,701 | 2,908,071 |
| <i>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</i> | 25,631 | 90,738 |
| <i>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING</i> | 291,620 | 200,882 |
| <i>NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING</i> | \$ 317,251 | \$ 291,620 |

TAP CANCER OUT, INC.**Statement of Functional Expenses****Year Ended December 31, 2023, with prior year comparative totals**

| | Program Services | Management and General | Fundraising | TOTALS | Prior Year Comparative Totals |
|--|----------------------------|---------------------------|--------------------------|----------------------------|-------------------------------------|
| <u>PERSONNEL</u> | | | | | |
| Salaries | \$ 129,300 | \$ 125,497 | \$ 125,497 | \$ 380,294 | \$ 321,688 |
| Payroll taxes | 8,851 | 8,591 | 8,591 | 26,033 | 24,709 |
| Benefits | 10,391 | 10,086 | 10,086 | 30,563 | 29,751 |
| <i>Total Personnel</i> | <i>148,542</i> | <i>144,174</i> | <i>144,174</i> | <i>436,890</i> | <i>376,148</i> |
| <u>OTHER EXPENSES</u> | | | | | |
| Grants | 1,500,000 | - | - | 1,500,000 | 1,300,000 |
| Professional fees - accounting | - | 11,000 | - | 11,000 | 11,000 |
| Professional fees - other | - | 14,453 | - | 14,453 | 3,633 |
| Event expenses: | | | | | |
| Venue fees | 135,796 | - | - | 135,796 | 85,414 |
| Merchant fees | 122,126 | - | - | 122,126 | 104,003 |
| Lodging and travel | 188,715 | - | - | 188,715 | 177,186 |
| Supplies | 375,661 | - | - | 375,661 | 293,271 |
| Contract services | 179,510 | - | - | 179,510 | 152,008 |
| Meals | 21,956 | - | - | 21,956 | 23,029 |
| Insurance | 6,510 | - | - | 6,510 | 564 |
| Advertising | - | - | 156,801 | 156,801 | 144,230 |
| Postage and shipping | 9,123 | - | - | 9,123 | 7,083 |
| Miscellaneous | 5,450 | - | - | 5,450 | 2,700 |
| Office expense | - | 27,197 | - | 27,197 | 23,777 |
| Telephone | - | 7,925 | - | 7,925 | 6,477 |
| Occupancy | 16,243 | 15,765 | 15,765 | 47,773 | 35,479 |
| Marketing | - | - | 75,556 | 75,556 | 89,631 |
| Insurance | 738 | 5,811 | 716 | 7,265 | 4,330 |
| Contract services | 13,600 | 13,200 | 13,200 | 40,000 | - |
| Equipment and technology | - | 33,543 | - | 33,543 | 39,797 |
| Data processing | - | 1,215 | - | 1,215 | 1,074 |
| Bank fees | - | 1,156 | - | 1,156 | 1,030 |
| Lodging and travel | - | 1,301 | - | 1,301 | 7,887 |
| Miscellaneous | 5,025 | 6,353 | - | 11,378 | 3,742 |
| Depreciation | 4,840 | 4,697 | 4,697 | 14,234 | 14,578 |
| <i>Total Other Expenses</i> | <i>2,585,293</i> | <i>143,616</i> | <i>266,735</i> | <i>2,995,644</i> | <i>2,531,923</i> |
| Less - special events costs deducted from revenue | - | - | 39,833 | 39,833 | - |
| <i>TOTAL EXPENSES</i> | <i>\$ 2,733,835</i> | <i>\$ 287,790</i> | <i>\$ 371,076</i> | <i>\$ 3,392,701</i> | <i>\$ 2,908,071</i> |

TAP CANCER OUT, INC.**Statements of Cash Flows****Year Ended December 31, 2023, with prior year comparative totals**

| | Year Ended December 31, | |
|--|--------------------------|--------------------------|
| | 2023 | 2022 |
| <u>OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 25,631 | \$ 90,738 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 14,234 | 14,578 |
| Gain on sale of property and equipment | (3,329) | (4,376) |
| Operating lease | 207 | 2,840 |
| Change in operating assets: | | |
| Accounts receivable | (9,087) | (58) |
| Prepaid expenses | (20,312) | (42,446) |
| Security deposit | (3,519) | - |
| Change in operating liabilities: | | |
| Accounts payable and accrued expenses | 96,410 | (14,564) |
| Deferred revenue | 48,438 | - |
| <i>Cash Flows From Operating Activities</i> | <i>148,673</i> | <i>46,712</i> |
| <u>INVESTING ACTIVITIES</u> | | |
| Proceeds from sale of property | 15,624 | 4,990 |
| Purchases of property and equipment | (35,556) | (15,369) |
| <i>Cash Flows From Investing Activities</i> | <i>(19,932)</i> | <i>(10,379)</i> |
| <i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i> | <i>128,741</i> | <i>36,333</i> |
| <i>CASH AND CASH EQUIVALENTS, BEGINNING</i> | <i>319,436</i> | <i>283,102</i> |
| <i>CASH AND CASH EQUIVALENTS, ENDING</i> | <i>\$ 448,177</i> | <i>\$ 319,435</i> |

TAP CANCER OUT, INC.

Notes to Financial Statements

December 31, 2023

NOTE 1 – NATURE OF ACTIVITIES

Tap Cancer Out, Inc. (the “Organization”) was organized in Fairfield, Connecticut as a not-for-profit organization for the purpose of motivating and empowering the Brazilian Jiu-Jitsu community to raise awareness and funds for cancer fighting organizations. The Organization hosts philanthropic fund-raising tournaments throughout the United States, as well as raising donations and selling merchandise.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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 its 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, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2023, the Organization did not have any net assets with donor restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization is not a private foundation pursuant to Internal Revenue Code Section 509(a)(1).

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization’s capitalization threshold is \$5,000. Depreciation is computed using the straight-line method over the estimated lives of the assets. When fixed assets are retired, the cost and related accumulated depreciation are removed from the accounts with any gain or loss recognized in the statement of activities.

TAP CANCER OUT, INC.

Notes to Financial Statements

December 31, 2023

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), 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. All contributions are considered available for the general programs of the Organization unless specifically restricted by the donor.

Deferred Revenue

Deferred revenue consists primarily of donations and registration fees received that relate to future events that were collected prior to year-end.

Donated Services and Goods

When material in amount, donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at the date of donation. No donated goods or services were received during the year ended December 31, 2023.

Advertising

The Organization expenses all advertising and promotion costs in the period the expense is incurred. The amounts incurred for 2023 were approximately \$224,600.

Expense Allocation

The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include personnel-related expenses and occupancy expenses, which are allocated based on management's estimates of time and effort. All other expenses are allocated based on an analysis of management of the various expenses that comprise those costs.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in the right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term.

TAP CANCER OUT, INC.

Notes to Financial Statements

December 31, 2023

Prior-year Comparative Totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements, from which the summarized information was derived.

NOTE 3 – EMPLOYEE RETENTION TAX CREDIT

The Organization has concluded that it is eligible for the Employee Retention Tax Credit (ERTC) for the following periods: second quarter of 2020, third quarter of 2020 and the first quarter of 2021. The Organization concluded that they qualified for the credit due to a combination of revenue reduction and the negative impact of the government mandated shutdowns. The Organization filed amended quarterly payroll tax returns for the applicable quarters. The Organization had applied for and received a total of \$59,277 and \$9,186 for the years ending December 31, 2021 and December 31, 2020, respectively, relating to the ERTC. The claim is open to examination by the Internal Revenue Service for three years from the date the funds were received.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of vehicles and equipment with a cost of \$94,371 and accumulated depreciation of \$28,777.

Depreciation expense for the year ended December 31, 2023, was \$14,234.

NOTE 5 – LEASES

The Organization leases office space under non-cancellable operating leases. The leases contain no significant restrictions. In addition, the Organization did not identify any contracts entered during the year meeting the lease criteria nor did it have any finance leases during the year. The operating ROU asset represents the Organization's right to use underlying the asset for the lease term, and the operating lease liability represents the Organization's obligation to make lease payments arising from the lease. The ROU asset and lease liability were calculated based on the present value of future lease payments over the lease terms. The Organization used the incremental borrowing rate of 6.0% to discount future lease payments.

At December 31, 2023, the operating lease right-of-use asset balance was \$192,308, and the operating lease liability was \$195,610.

Total lease costs for the year ended December 31, 2023, was \$32,937.

The weighted-average discount rate is 6.0%, and the weighted-average remaining lease term is approximately 4 years.

TAP CANCER OUT, INC.**Notes to Financial Statements****December 31, 2023**

Future minimum lease payments required under the operating lease are as follows:

| Year ended December 31, | |
|----------------------------|-------------------|
| 2024 | \$ 60,593 |
| 2025 | 60,066 |
| 2026 | 33,744 |
| 2027 | 34,754 |
| 2028 | <u>32,725</u> |
| Total lease payment | 221,882 |
| Less: imputed interest | <u>(26,272)</u> |
| Present value of liability | <u>\$ 195,610</u> |

NOTE 6 – RENTAL INCOME

The Organization entered into a sublease agreement as the sublessor effective December 2023 for the purpose of renting office space to the sublessee. The sublease commenced in December 2023 with a lease term of 24 months and monthly payments of \$2,398 and \$2,482 due for the calendar years of 2024 and 2025, respectively.

Future minimum rental receipts required under the sublease for the year ended December 31, are as follows:

| | |
|-------|------------------|
| 2024 | \$ 28,902 |
| 2025 | <u>26,140</u> |
| TOTAL | <u>\$ 55,042</u> |

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$457,322 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$448,177 and accounts receivables of \$9,145. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). From time to time the Organization holds cash in excess of the insured limits covered by the FDIC; however, the Organization believes it is not exposed to any significant credit risk related to these accounts.

TAP CANCER OUT, INC.**Notes to Financial Statements****December 31, 2023**

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.