

**RALLY FOUNDATION, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
MARCH 31, 2019**

RALLY FOUNDATION, INC.
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rally Foundation, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Rally Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position on Rally Foundation, Inc. as of March 31, 2019, 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.

Vision Financial Group CPAs LLP

Morganville, NJ
June 26, 2019

RALLY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,433,939
Pledges receivable	5,516
Marketable securities	3,102,411
Prepaid deposits and other	18,399

TOTAL CURRENT ASSETS	6,560,265
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Property and equipment, net	1,420
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TOTAL ASSETS	\$ 6,561,685
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and credit cards payable	\$ 21,498
Accrued expenses	30,585
Grants payable	2,906,250
Deferred revenue	57,386

TOTAL LIABILITIES (ALL CURRENT)	3,015,719
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NET ASSETS

Unrestricted	2,312,032
Unrestricted-board designated	1,183,934
With donor restrictions	

TOTAL UNRESTRICTED	3,495,966
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Temporarily restricted	-
Permanently restricted	50,000

TOTAL NET ASSETS	3,545,966
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TOTAL LIABILITIES AND NET ASSETS	\$ 6,561,685
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See accompanying notes.

RALLY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL</u>
SUPPORT AND REVENUES				
Contributions	\$ 3,783,539	\$ -	\$ -	\$ 3,783,539
Special events revenue, net of direct benefits of \$531,245	1,195,216	-	-	1,195,216
Interest	-	-	-	-
Interest income	2,905	-	-	2,905
Investment income from securities, net	74,128	-	-	74,128
Realized & unrealized appreciation - securities	47,135	-	-	47,135
TOTAL SUPPORT AND REVENUES	<u>5,102,923</u>	<u>-</u>	<u>-</u>	<u>5,102,923</u>
Reclassification - net assets Released from donor restriction: Time restriction expired	139,024	(139,024)	-	-
Total reclassifications	<u>139,024</u>	<u>(139,024)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND RECLASSIFICATIONS	5,241,947	(139,024)	-	5,102,923
EXPENSES				
Program expense				
Grant	3,100,447	-	-	3,100,447
Education and awareness	614,182	-	-	614,182
Fundraising	186,116	-	-	186,116
Administration	93,881	-	-	93,881
TOTAL EXPENSES	<u>3,994,626</u>	<u>-</u>	<u>-</u>	<u>3,994,626</u>
CHANGE IN NET ASSETS	1,247,321	(139,024)		1,108,297
NET ASSETS AT BEGINNING OF YEAR	<u>2,248,645</u>	<u>139,024</u>	<u>50,000</u>	<u>2,437,669</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,495,966</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 3,545,966</u>

See accompanying notes.

RALLY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		
	<u>Grants</u>	<u>Education & Awareness</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Grants	\$ 2,961,483	\$ -	\$ -	\$ -	\$ 2,961,483
Salaries and benefits	84,972	404,671	71,955	57,359	618,957
Accounting and audit fees	-	1,264	-	11,372	12,636
Depreciation	953	4,238	758	1,196	7,145
Insurance	1,115	4,955	887	1,398	8,355
Meals and entertainments	7,494	10,461	27	19	18,001
Office expenses	4,541	27,450	28,308	5,701	66,000
Outside services	30,998	96,001	35,618	7,216	169,833
Postage	-	-	7,496	-	7,496
Rent	7,668	34,089	6,100	9,620	57,477
Supplies	162	21,372	31,230	-	52,764
Travel	16	6,546	3,214	-	9,776
Website maintenance	1,045	3,135	523	-	4,703
TOTAL EXPENSES	\$ 3,100,447	\$ 614,182	\$ 186,116	\$ 93,881	\$ 3,994,626

See accompanying notes.

RALLY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,108,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,145
Donated securities	(5,161)
(Gain) on investments	(47,135)
Changes in assets and liabilities:	
Decrease in pledges receivable	14,984
(Increase) in prepaid deposits and other	(17,399)
(Increase) in interest earned on certificates of deposit	(2,590)
Increase in accounts payable	5,637
Increase in accrued expenses	20,807
Increase in grants payable	721,250
Increase in deferred revenue	57,386
	<u>1,863,221</u>
Net cash provided by operating activities	<u>1,863,221</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(6,761)
Proceeds from sale of marketable securities	74,149
Purchase of marketable securities	<u>(469,023)</u>
Net cash used by investing activities	<u>(401,635)</u>
Net increase in cash and cash equivalents	1,461,586
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,972,353</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,433,939</u></u>

Supplemental cash flows information:

Interest paid	<u><u>\$ -</u></u>
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See accompanying notes.

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1: Organization and Nature of Activities

Rally Foundation, Inc. (Rally Foundation), a non-profit organization located in Atlanta, Georgia, empowers volunteers across the United States to raise awareness and funds specifically for childhood cancer research to find better treatments with fewer long-term side effects and, ultimately, cures for childhood cancers. Rally Foundation receives most of its support from contributions made by individuals, businesses, and foundations located throughout the United States.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Financial Reporting

The accompanying financial statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

These financial statements are prepared in accordance with standards set by the Financial Accounting Standards Board. Rally Foundation is required to classify information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories is as follows:

- Unrestricted - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Rally Foundation pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by Rally Foundation.

Expenses in the Statements of Activities have been reported by the functional classifications, major classes of program services and supporting activities. Program services are the activities that result in goods and services distributions to beneficiaries, which fulfill the purposes or mission for which Rally Foundation exists. Supporting programs are all the other activities of Rally Foundation other than program services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Rally Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

Rally Foundation is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c) (3) and Georgia Revenue and Taxation Code Section 48-7-25. Therefore, no provision

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2: Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

for income taxes has been made in the accompanying financial statements. In addition, Rally Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of Rally Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to their status as a not-for-profit entity. Management believes Rally Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. Rally Foundation's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. However, Rally Foundation is not currently under audit nor has it been contacted by the taxing authorities.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to Rally Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction expires in the same accounting period as the contribution is received, the revenue is shown as unrestricted.

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.

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 3: Concentration of Credit Risk

Rally Foundation has identified their financial instruments which are potentially subject to credit risk. These financial instruments consisted of cash in bank deposit accounts and brokerage accounts which at times exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investment Protection Corporation. Rally Foundation has not experienced any losses in these accounts. The Foundation held the cash at fiscal year-end to fund grants approved by the board of directors.

Note 4: Pledges Receivable

The pledges receivable represents amounts pledged to benefit Rally Foundation before March 31, 2019. As of March 31, 2019, the pledges receivable totaled \$5,516, all current. There were not any conditional pledges receivable at March 31, 2019.

Note 5: Cash and Cash Equivalents

As of March 31, 2019, cash and cash equivalents consist of the following:

Cash	\$ 3,176,191
Certificate of deposit	<u>257,748</u>
Total	<u><u>\$ 3,433,939</u></u>

The certificate of deposit is scheduled to mature in July 2019, and currently is earning interest at 1.01%. The value of the certificate is reported at the original investment plus accrued interest.

Note 6: Marketable Securities

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Level 1 - within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 - within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data.

Level 3 - within the hierarchy states that valuations are based upon unobservable inputs.

At March 31, 2019, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities, which include equities, fixed

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 6: Marketable Securities (continued)

income, and mutual funds. Equity, fixed income, and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

The following table presents by level, within the fair value hierarchy, Rally Foundation's marketable securities at March 31, 2019:

	Total	Level 1	Level 2	Level 3
Equities	\$ 844,894	\$ 844,894	\$ -	\$ -
Fixed income	164,534	164,534		
Mutual funds	2,092,983	2,092,983		
Total	<u>3,102,411</u>	<u>\$ 3,102,411</u>	<u>\$ -</u>	<u>\$ -</u>

The changes in marketable securities are as follows:

Beginning of year, fair market value	<u>\$ 2,652,651</u>
Securities donated	5,161
Funds transferred (to) from checking accounts, net	150,000
Funds transferred (to) from money market accounts, net	173,336
Investment income	87,488
Investment fees	(13,360)
Realized and unrealized gains on investments	47,135
End of year, fair market value	<u>\$ 3,102,411</u>

Note 7: Furniture and Equipment

Rally Foundation capitalizes furniture and equipment costing over \$1,000. Lesser amounts are expensed. Purchased furniture and equipment is capitalized at cost. Donations of furniture and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives - currently five years or less.

Note 8: Grants Payable

The grants payable represents the net present value of commitments approved by the board of directors to fund specific pediatric cancer research projects:

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 8: Grants Payable (continued)

The Grants Payable consists of the following at March 31, 2019:

	<u>2019</u>
Gross contributions payable	<u>\$ 2,906,250</u>
The gross amounts of grants payable are due as follows:	
Less than one year	\$ 2,906,250
One to five years	<u>-</u>
	<u><u>\$ 2,906,250</u></u>

Note 9: Contingent Grants Payable

The Board of Directors approved conditional research grants totaling \$300,000 to specific recipients be awarded in fiscal year ended March 31, 2020. These grants were evaluated in March 2019 for possible distribution based on progress of the research for awards made in fiscal year ending March 31, 2019, and proper utilization of those funds received previously. Based on this evaluation, the funds for the fiscal year ending March 31, 2020 will be distributed in two payments in July 2019 and January 2020. See Note 14.

Note 10: Employee Benefit Plan

Rally Foundation has a 403(B) retirement plan available to all eligible employees. Participants may elect to contribute up to the maximum amounts allowed by law. Rally Foundation fully matches the employee's allowed contribution up to 4% of salary. Rally Foundation made contributions of approximately \$15,000 to the retirement plan in fiscal year ended March 31, 2019.

Note 11: Endowment/Restricted Funds

At March 31, 2019, Rally Foundation's endowment consisted of one donor-restricted fund and a quasi - endowment fund designated by the Board of Directors to function similarly to an Endowment. As required by generally accepted accounting principles ("GAAP") net assets associated with endowment funds, including funds designated by the Board of Directors to function similarly to an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Rally Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 11: Endowment/Restricted Funds (continued)

donor stipulations to the contrary. As a result of this interpretation, Rally Foundation classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Rally Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year.

In accordance with UPMIFA, Rally Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Rally Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of Rally Foundation; and,
- (7) The investment policies of Rally Foundation.

For the year ended March 31, 2019, the composition of and changes in endowment net assets are as follows:

	Board Designated Quasi - Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,123,088	\$ 8,078	\$ 50,000	\$ 1,181,166
Investment return:				
Investment income	34,362	-	-	34,362
Investment fees	(10,841)	-	-	(10,841)
Net appreciation	37,325	-	-	37,325
Amounts appropriated for expenditure	-	(8,078)	-	(8,078)
Endowment net assets, end of year	<u>\$ 1,183,934</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 1,233,934</u>

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 12: Contributed Services

Contributions of services that create or enhance non-financial assets or those 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 value in the period received. Rally Foundation received various services including rent, non-litigation related legal services, marketing, printing, photography, information technology, and special event services, which met these criteria. The total amount of donated services received in fiscal year ended March 31, 2019 was approximately \$157,508. The donated services attributed to special events totaled approximately \$54,461 in fiscal year ended March 31, 2019.

These amounts were recorded as contribution revenue or special event revenue and charged to the related expense account.

Many individuals volunteer their time and perform a variety of tasks that assist Rally Foundation with specific programs, fund-raising, and various committee assignments. The value of these services did not meet the criteria for recognition in the financial statements and the value has not been estimated.

Note 13: 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. Accordingly, certain costs have been allocated to program services, fundraising and administrative expenses based upon time devoted to various activities by the staff of Rally Foundation or the type of services provided to Rally Foundation.

Note 14: Subsequent Events - Date of Management Evaluation

Management has evaluated subsequent events through June 26, 2019, the date on which the financial statements were available to be issued. Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

The Board of Directors approved conditional research grants totaling \$550,000 to specific recipients be awarded in fiscal year ended March 31, 2021. These grants will be evaluated in March 2020 for possible distribution based on progress of the research for awards made in fiscal year ending March 31, 2020, and proper utilization of those funds received previously.