Financial Statements

The QL Plus Program

For the Year Ended June 30, 2019

THE QL PLUS PROGRAM

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The QL Plus Program
McLean, Virginia

We have audited the accompanying financial statements of the The QL Plus Program (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the change 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.

Gelman Rosenberg & Freedman

November 25, 2019

THE QL PLUS PROGRAM

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 88,219
Investments	4,028,994
Accounts receivable	2,792
Loan receivable	5,211
Prepaid expenses	7,600
Total current assets	4,132,816
FIXED ASSETS	
Furniture	6,077
Computer equipment	21,870
Website	22,500
	50,447
Less: Accumulated depreciation and amortization	(16,086)
Net fixed assets	34,361
NONCURRENT ASSETS	
Loan receivable, net of current portion	260,760
TOTAL ASSETS	**$ 4,427,937**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 55,335
NET ASSETS	
Without donor restrictions	4,372,602
TOTAL LIABILITIES AND NET ASSETS	**$ 4,427,937**

See accompanying notes to financial statements.

THE QL PLUS PROGRAM

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions
SUPPORT AND REVENUE	
Grants and contributions	$ 227,429
Investment income, net	143,894
Event	73,000
Interest on loan receivable	10,748
Loss on disposal of fixed assets	(538)
Total support and revenue	454,533
EXPENSES	
Program Services	656,290
Supporting Services:	
General and Administrative	154,636
Fundraising	150,121
Total supporting services	304,757
Total expenses	961,047
Change in net assets	(506,514)
Net assets at beginning of year	4,879,116
NET ASSETS AT END OF YEAR	**$ 4,372,602**

THE QL PLUS PROGRAM

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 427,004	$ 105,600	$ 37,152	$ 142,752	$ 569,756
Professional fees	11,218	30,719	82,901	113,620	124,838
Travel	75,354	560	8,115	8,675	84,029
University fees	45,220	-	-	-	45,220
Materials	40,945	-	-	-	40,945
Operations	24,766	6,464	5,079	11,543	36,309
Communications	15,682	3,761	2,441	6,202	21,884
Insurance	3,807	920	554	1,474	5,281
Business expenses	1,450	3,862	12,095	15,957	17,407
Telephone and utilities	3,896	989	641	1,630	5,526
Depreciation and amortization	6,948	1,761	1,143	2,904	9,852
TOTAL	**$ 656,290**	**$ 154,636**	**$ 150,121**	**$ 304,757**	**$ 961,047**

THE QL PLUS PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (506,514)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	9,852
Unrealized loss	206,907
Realized gain	(265,918)
Loss on disposal of fixed assets	538
(Increase) in:	
Accounts receivable	(2,792)
Prepaid expenses	(5,600)
Increase in:	
Accounts payable and accrued liabilities	19,768
Net cash used by operating activities	(543,759)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(1,380)
Sale of fixed assets	700
Purchase of investments	(3,506,992)
Proceeds from sale of investments	4,054,589
Decrease on loan receivable	5,007
Net cash provided by investing activities	551,924
Net increase in cash and cash equivalents	8,165
Cash and cash equivalents at beginning of year	80,054
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 88,219**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The QL Plus Program (the Organization) is a non-profit organization, incorporated in the Commonwealth of Virginia and located in McLean, Virginia. The Organization's mission is to foster and generate innovations to aid and improve the quality of life for those injured in the line of duty. Funding is derived primarily from contributions and grants.

The Organization has a process by which it identifies injured veterans and others such as first responders (Challengers) who agree to be served by the Organization's program. The Challengers are linked to a team of engineering students at a university that has an agreement with the Organization. The university provides a faculty advisor and the Organization provides a program manager to support the team in the product development process. The Organization has established some dedicated laboratory space at two universities, California Polytechnic State University (Cal Poly) and Colorado School of Mines (Mines). For the year ended June 30, 2019, the Organization had engaged with fourteen universities nationwide.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entitie*s. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held with investments. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Loan receivable -

Loan receivable is recorded at cost less allowances for uncollectible amounts. Interest is recorded when earned. Uncollectible loan receivable amounts are expensed when it is determined collection of the receivable is unlikely.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Loan receivable (continued) -

Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2019 totaled $9,852.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2019, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

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 are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. As of June 30, 2019, there were no donor restricted net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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 and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following as of June 30, 2019:

	Fair Value
Money market	$ 445,642
Equity	1,310,618
Mutual funds	137,318
U.S. bonds	1,985,416
Certificate of deposit	150,000
TOTAL INVESTMENTS	**$ 4,028,994**

Included in investment income are the following:

Interest and dividends	$ 104,746
Unrealized loss	(206,907)
Realized gain	265,918
Investment expenses provided by external investment advisors	(19,863)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	**$ 143,894**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.

2. INVESTMENTS (Continued)

- *Equity* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Organization are deemed to be actively traded.
- *Corporate debt, U.S. agency bonds, mortgage-backed securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of June 30, 2019.

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total June 30, 2019
Asset Class:					
Money market funds	$ 445,642	$ -	$ -	$ -	$ 445,642
Equity	1,310,618	-	-	-	1,310,618
Mutual funds	137,318	-	-	-	137,318
U.S. bonds	1,985,416	-	-	-	1,985,416
Certificate of deposit	-	150,000	-	-	150,000
TOTAL	**$ 3,878,994**	**$ 150,000**	**$ -**	**$ -**	**$ 4,028,994**

3. LOAN RECEIVABLE

In 2017, the Organization received a donation of vacation land valued at $375,000 that was subsequently sold. As a term of the sale, the Organization signed a loan agreement with the unrelated buyer that is secured by the land for $275,000. Under the terms of the loan agreement, the buyer will make monthly payments of $1,313 for a term of five years beginning September 2017, a balloon payment for the remainder balance is due in August 2022. Interest accrues at four percent per annum and there is no penalty for early payment. During the year ended June 30, 2019, interest on the loan receivable totaled $10,748. The following is a schedule of required principal receipts (due to the Organization) under the aforementioned loan:

Year Ending June 30,	
2020	$ 5,211
2021	5,422
2022	5,644
2023	249,694
	$ 265,971

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	$ 88,219
Investments	4,028,994
Accounts receivable	2,792
Loan receivable	5,211
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 4,125,216**

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, the Organization has financial assets equal to approximately 51 months of operating expenses.

5. DONATED FACILITIES AND SERVICES

During the year ended June 30, 2019, the Organization utilized laboratories at Cal Poly and Mines to conduct program activities. The fair value of the use of these facilities has not been recognized as the amounts are impracticable to determine. Additionally, a substantial number of students have donated significant amounts of time to the Organization and its programs. These donated services are not reflected in the financial statements as these services do not meet the criteria for recognition as contributed services.

6. RELATED PARTY

The Organization leases office space from Monett Holdings, LLC under a year-to-year operating lease. The founder of the Organization is also the Chairman of the Board of Directors and President of Monett Holdings, LLC. During the year ended June 30, 2019, the Organization paid $24,000 for rent which is included in operations in the accompanying Statement of Functional Expenses.

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were issued.