



Report of Independent Auditors and  
Financial Statements for

**Celebrity Fight Night Foundation, Inc.**

May 31, 2016 (restated) and 2015

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Celebrity Fight Night Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Celebrity Fight Night Foundation, Inc. (the "Organization"), which comprises of the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 of Celebrity Fight Night Foundation, Inc. as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Restatement of Previously Issued Financial Statements***

As discussed in Note 11 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

*Moss Adams LLP*

Scottsdale, Arizona  
April 13, 2017

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

ASSETS	May 31,	
	2016 (restated)	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 911,597	\$ 3,739,314
Investments	269,243	-
Accounts receivable	92,700	179,999
Unconditional promises to give, net	775,226	961,944
Related-party receivable	105,023	771,456
Prepaid and other	32,444	32,444
Property and equipment, net	3,704	7,828
Total assets	\$ 2,189,937	\$ 5,692,985
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 16,122	\$ 34,935
Accrued liabilities	79,632	84,268
Agency liabilities	366,000	2,643,496
Related-party payable	-	884,058
Deferred rent	-	3,973
Total liabilities	461,754	3,650,730
<b>NET ASSETS</b>		
Unrestricted	952,957	1,080,311
Temporarily restricted	775,226	961,944
Total net assets	1,728,183	2,042,255
Total liabilities and net assets	\$ 2,189,937	\$ 5,692,985

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended May 31, 2016 (restated)		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>REVENUES AND SUPPORT</b>			
Special events revenue, net	\$ 3,572,235	\$ -	\$ 3,572,235
Contributions, net	565,505	13,282	578,787
In-kind donations	723,274	-	723,274
Net assets released from restrictions	200,000	(200,000)	-
Total revenues and support	<u>5,061,014</u>	<u>(186,718)</u>	<u>4,874,296</u>
<b>EXPENSES</b>			
Program expenses	637,446	-	637,446
Management and general expenses	166,189	-	166,189
Fundraising expenses	4,390,401	-	4,390,401
Total expenses	<u>5,194,036</u>	<u>-</u>	<u>5,194,036</u>
<b>OTHER CHANGES IN NET ASSETS</b>			
Investment income	4,585	-	4,585
Interest income	1,083	-	1,083
Total other changes in net assets	<u>5,668</u>	<u>-</u>	<u>5,668</u>
Change in net assets	<u>(127,354)</u>	<u>(186,718)</u>	<u>(314,072)</u>
Net assets, beginning of year	<u>1,080,311</u>	<u>961,944</u>	<u>2,042,255</u>
Net assets, end of year	<u>\$ 952,957</u>	<u>\$ 775,226</u>	<u>\$ 1,728,183</u>

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**

	Year Ended May 31, 2015		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>REVENUES AND SUPPORT</b>			
Special events revenue, net	\$ 9,089,593	\$ -	\$ 9,089,593
Contributions, net	508,963	961,944	1,470,907
In-kind donations	2,197,500	-	2,197,500
Total revenues and support	<u>11,796,056</u>	<u>961,944</u>	<u>12,758,000</u>
<b>EXPENSES</b>			
Program expenses	3,532,687	-	3,532,687
Management and general expenses	282,440	-	282,440
Fundraising expenses	7,586,882	-	7,586,882
Total expenses	<u>11,402,009</u>	<u>-</u>	<u>11,402,009</u>
<b>OTHER CHANGES IN NET ASSETS</b>			
Investment income	9,173	-	9,173
Interest income	412	-	412
Total other changes in net assets	<u>9,585</u>	<u>-</u>	<u>9,585</u>
Change in net assets	<u>403,632</u>	<u>961,944</u>	<u>1,365,576</u>
Net assets, beginning of year	<u>676,679</u>	<u>-</u>	<u>676,679</u>
Net assets, end of year	<u><u>\$ 1,080,311</u></u>	<u><u>\$ 961,944</u></u>	<u><u>\$ 2,042,255</u></u>

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended May 31, 2016 (restated)			
	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Direct costs of special events	\$ -	\$ -	\$ 3,481,084	\$ 3,481,084
Contributions made	637,446	-	-	637,446
Salaries and payroll taxes	-	49,964	448,772	498,736
Rent	-	15,861	31,722	47,583
Public relations and advertising	-	32,766	294,896	327,662
Accounting and legal	-	13,362	26,723	40,085
Contract labor	-	16,199	32,399	48,598
Miscellaneous	-	8,221	16,443	24,664
Postage and shipping	-	443	3,986	4,429
Insurance	-	9,012	18,024	27,036
Office supplies	-	10,126	-	10,126
Website	-	-	2,720	2,720
Telephone	-	8,276	-	8,276
Subscriptions	-	-	16,839	16,839
Travel	-	-	12,874	12,874
Depreciation	-	1,959	3,919	5,878
Total expenses	<u>\$ 637,446</u>	<u>\$ 166,189</u>	<u>\$ 4,390,401</u>	<u>\$ 5,194,036</u>



**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**

	Year Ended May 31, 2015			
	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Direct costs of special events	\$ -	\$ -	\$ 6,253,385	\$ 6,253,385
Contributions made	3,532,687	-	-	3,532,687
Salaries and payroll taxes	-	64,534	619,747	684,281
Rent	-	12,464	24,933	37,397
Public relations and advertising	-	33,693	303,234	336,927
Accounting and legal	-	83,425	166,874	250,299
Contract labor	-	16,397	32,799	49,196
Miscellaneous	-	17,138	34,279	51,417
Postage and shipping	-	1,222	10,996	12,218
Insurance	-	31,891	63,793	95,684
Office supplies	-	12,361	-	12,361
Website	-	-	9,447	9,447
Telephone	-	9,315	-	9,315
Subscriptions	-	-	15,494	15,494
Travel	-	-	51,901	51,901
<b>Total expenses</b>	<b>\$ 3,532,687</b>	<b>\$ 282,440</b>	<b>\$ 7,586,882</b>	<b>\$ 11,402,009</b>

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended May 31,	
	2016 (restated)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (314,072)	\$ 1,365,576
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	5,878	-
Donated investments	(277,467)	(1,044,105)
Unrealized and realized (gains) losses on investments	(4,584)	2,036
Change in assets and liabilities		
Accounts receivable	87,299	552,001
Promises to give	186,718	(26,632)
Related party receivable	666,433	(771,456)
Prepaid and other assets	-	397,973
Accounts payable	(18,813)	(233,138)
Accrued liabilities	(4,636)	(62,318)
Agency liabilities	(2,277,496)	204,496
Related party payable	(884,058)	884,058
Unearned revenue	-	(2,100,500)
Deferred rent	(3,973)	-
Net cash used in operating activities	<u>(2,838,771)</u>	<u>(832,009)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,754)	(2,770)
Purchases of investments	(7,195)	-
Proceeds from sale of investments	20,003	1,042,069
Net cash provided by investing activities	<u>11,054</u>	<u>1,039,299</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,827,717)	207,290
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,739,314</u>	<u>3,532,024</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 911,597</u>	<u>\$ 3,739,314</u>

**NOTES TO FINANCIAL STATEMENTS**

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## **CELEBRITY FIGHT NIGHT FOUNDATION, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Note 1 – Nature of Business**

Celebrity Fight Night Foundation, Inc. (the “Organization”) is an Arizona not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization’s primary purpose is to plan and administer the annual “Celebrity Fight Night” charity event (“Phoenix event”). Celebrity Fight Night is a star-studded evening presented in honor of its featured guest, Muhammad Ali. Celebrities and professional athletes from all over the country participate in a night filled with incredible live auction items, and live musical performances by many of today’s brightest stars. The Muhammad Ali Parkinson Center at the Barrow Neurological Institute is a significant beneficiary of donations collected from this annual charity event.

The Organization collects donations for this charity event through a live auction, silent auction, table sales, event sponsors, general donations, and in-kind donations. The Organization also raises money through its “Founders Club” which is comprised of 27 and 25 couples as of May 31, 2016 and 2015, respectively. The members of the Founders Club contribute \$20,000 per year. Half of this money is for the benefit of charities specified by each Founders Club member.

In September 2014, the Organization held its first international event in Florence, Italy (“International Event”) in conjunction with the Andrea Bocelli Foundation. This is a multi-day experience culminating with a star-studded Gala at the Palazzo Vecchio featuring Andrea Bocelli. These financial statements present the combined activities for both of these events for the year ended May 31, 2015. Beginning with the September 2015 event, all international events are operated by Celebrity Fight Night Foundation International (“CFNF Int’l”) instead of the Organization. Financial statements for the year ended May 31, 2016 only include the Phoenix event.

#### **Note 2 – Summary of Significant Accounting Policies**

**Basis of presentation** – The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net asset classifications are defined as follows:

- **Unrestricted** – Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support the Organization’s activities.
- **Temporarily restricted** – Temporarily restricted net assets represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted.

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

- **Permanently restricted net assets** – Permanently restricted net assets represent contributions restricted by the donor for endowment that require the funds be invested permanently with the income or investment return to be made available for future use.

As of May 31, 2016 (restated) and 2015, the Organization did not have any permanently restricted net assets.

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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. At May 31, 2016 (restated) and 2015, \$952,957 and \$1,080,311, respectively, of net assets of the Organization are unrestricted. At May 31, 2016 (restated) and 2015, \$775,226 and \$961,944, respectively, of net assets of the Organization are temporarily restricted. Temporarily restricted net assets consist entirely of a conditional promise to give and are restricted for time and purpose (see Note 4).

**Accounting estimates** – The preparation of 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, 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.

**Cash and cash equivalents** – The Organization considers all short-term highly liquid investments that are readily convertible to known amounts of cash, and have original maturities of three months or less as cash equivalents. At times, the Organization's cash and cash equivalent balances in financial institutions may exceed FDIC limits. The Organization has not experienced any losses in such accounts.

**Investments** – Investments are reported at fair value, with realized and unrealized gains and losses included in the statements of activities. Investments consist solely of domestic common stock. Fair value for these investments is based upon the closing price reported on the active market on which the individual securities are traded. Realized gains or losses are recorded using the specific identification method. Investment transactions, including transfers between the levels of fair value inputs, are recognized as of the date of the end of the year.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

## **CELEBRITY FIGHT NIGHT FOUNDATION, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect under the terms of the agreements. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. All accounts receivable at May 31, 2016 (restated) and 2015 are considered by management to be fully collectible and accordingly, an allowance for uncollectible accounts has not been provided.

**Promises to give** – Promises to give represent an unconditional promise to give by donors and are subject to credit risk of the individual donor. Promises to give are recorded as contribution revenue when received. Management reviews promises to give periodically for collectability. Promises to give are written off when deemed uncollectible in the statements of activities. A conditional promise to give occurs when a donor promises to contribute assets to an organization only if specified future and uncertain events occur. A conditional promise to give is unconditional if the possibility that the condition will not be met is remote. Conditional promises to give are not recorded in the financial statements.

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are initially reported at fair value.

All promises to give are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

**Property, equipment, and depreciation** – The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed. At the time assets are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to changes in net assets. Depreciation is computed on a straight-line basis over terms ranging from five to seven years for financial reporting purposes.

**Agency transactions** – The Organization collects contributions (including promises to give) on behalf of unrelated not-for-profit entities and remits such contributions directly to these entities as directed by donors. The Organization records these transactions as an increase in cash (or promises to give if cash is not collected during the event) and agency liabilities in the statements of financial position. The cash received in connection with these agency transactions is not required to be segregated in a separate account. The Organization does not guarantee the collectability of promises to give as they are subject to the credit risk of the individual donor. To the extent promises to give are not ultimately collected, the Organization will reduce the amount of its agency liability by this amount.

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Deferred rent** – Payments made under operating leases are recognized in the statements of activities and changes in net assets on a straight-line basis over the term of the lease. Lease incentives received and escalating rent are recognized as an integral part of the total lease expense, over the term of the lease.

**Special events revenue** – Special events revenue is comprised of proceeds from table sales, the live and silent auction, and sponsorship for the annual Celebrity Fight Night and Italy Experience fundraising events. The direct costs associated with organizing and conducting special events are recorded as fundraising expenses on the statements of activities and changes in net assets.

The following is a summary of revenue and expenses directly associated with special events for the years ended May 31:

	2016 (restated)	2015
Special events revenue	\$ 3,919,585	\$ 11,004,289
Less amounts designated by donors for unrelated nonprofit entities	(347,350)	(1,914,696)
Net special events revenue	3,572,235	9,089,593
Direct costs of special events	3,481,084	6,253,385
Excess of special events revenue over expenses	\$ 91,151	\$ 2,836,208

**Contribution revenue and support** – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets less contributions representing agency transactions. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Gifts of goods and equipment are reported at fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## CELEBRITY FIGHT NIGHT FOUNDATION, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 2 – Summary of Significant Accounting Policies (continued)

The following is a summary of total contributions for the years ended May 31:

	2016 (restated)	2015
Contributions	\$ 808,787	\$ 2,475,907
Less amounts designated by donors for unrelated nonprofit entities	<u>(230,000)</u>	<u>(1,005,000)</u>
Net contributions	<u>\$ 578,787</u>	<u>\$ 1,470,907</u>

**Contributed services** – The Organization receives services from volunteers who give significant amounts of their time to the Organization’s fund-raising activities, but which do not meet the criteria for financial statement recognition.

**Allocation of expenditures** – The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program services and supporting activities based upon the nature of the services provided or allocated based on management’s estimates. Program expenses consist of donations made to various charitable organizations based on available funds. Management and general expenses and fundraising expenses consist primarily of general overhead expenses as summarized in the statements of functional expenses.

**Public relations and advertising** – Advertising and promotional costs are charged to operations as incurred. Advertising and promotional expenses totaled \$327,662 and \$336,927, for the years ending May 31, 2016 (restated) and 2015, respectively.

**Income tax status** – The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code “IRC” and under Section 43, 1201(4) of the Arizona Revised Statutes. The Organization files an exempt organization return in the United States federal jurisdiction and with the State of Arizona. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of May 31, 2016 (restated), the Organization had no uncertain tax positions.



**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance was scheduled to be effective at the beginning of the Organization’s 2019 fiscal year and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. However, on July 9, 2015, the FASB approved a proposal to defer the effective date of the new revenue standard by one year, but will permit entities to adopt one year earlier if they choose (i.e., the original effective date). The deferral results in the new revenue standard being effective at the beginning of the Organization’s 2020 fiscal year. The Organization will continue to evaluate the impact, if any, of adopting this new accounting standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) Leases*. The new standard requires the recognition of assets and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend on the classification of the lease as either a finance or an operating lease. The new standard is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. Management is evaluating the impact, if any, of adopting this guidance on the financial statements of the Organization.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities during August 2016*. The ASU revises the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management is evaluating the effect that implementation of the ASU will have on the financial statements of the Organization.

## **CELEBRITY FIGHT NIGHT FOUNDATION, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through April 13, 2017, which is the date the financial statements are available to be issued.

**Reclassifications** – Certain amounts were reclassified in the 2015 financial statements to conform to the 2016 presentation. Such reclassifications had no impact on previously reported change in net assets.

#### **Note 3 – Fair Value of Assets**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

**Level 3** – Unobservable inputs for the asset or liability.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 3 – Fair Value of Assets (continued)**

The related fair values of these assets are determined as follows at May 31 2016 (restated):

	<u>Level 1</u>	<u>Total</u>
Domestic common stock	<u>\$ 269,243</u>	<u>\$ 269,243</u>

The Organization did not have any investments held at fair value at May 31, 2015.

**Note 4 – Promises to Give**

Promises to give consist of the following at May 31:

	<u>2016 (restated)</u>	<u>2015</u>
Unconditional promises to give due:		
Within one year	\$ 200,000	\$ 200,000
From one to five years	<u>600,000</u>	<u>800,000</u>
Total unconditional promises to give	800,000	1,000,000
Unamortized discount on unconditional promises to give	<u>(24,774)</u>	<u>(38,056)</u>
Total unconditional promises to give, net of discount	<u>\$ 775,226</u>	<u>\$ 961,944</u>

In May 2015, the Organization received a conditional promise to give from a donor. The Organization will receive \$200,000 per annum for five years consisting of quarterly payments of \$50,000 starting August 31, 2015. The promise to give is restricted for the purpose of offsetting the current CEO's salaries. The donor reserves the right to revoke or amend the promise to give if the status of the current CEO changes. The Organization believes that a change in the status of the current CEO over the next five years is remote and therefore promise is treated similar to an unconditional promise to give. The Organization used the federal risk-free interest rate of 1.49% for the discount calculation as of May 31, 2016 (restated) and 2015.

## CELEBRITY FIGHT NIGHT FOUNDATION, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 5 – Property and Equipment

Property and equipment consists of the following at May 31:

	2016 (restated)	2015
Office equipment	\$ 36,808	\$ 48,771
Less accumulated depreciation	<u>(33,104)</u>	<u>(40,943)</u>
Total property and equipment, net	<u>\$ 3,704</u>	<u>\$ 7,828</u>

#### Note 6 – Agency Liabilities

Agency liabilities consist of contributions received on behalf of unrelated nonprofit entities, but not paid by the Organization. Total agency liabilities were \$366,000 and \$2,643,496 as of May 31, 2016 (restated) and 2015, respectively, of which \$169,000 and \$1,707,000, respectively, is due to the Barrow Neurological Foundation for the Muhammad Ali Parkinson Center, and \$197,000 and \$936,496, respectively, is due to various charities selected by live auction donors, Italy event donors, and Founders Club members.

#### Note 7 – Retirement Plan

The Organization has established a defined contribution plan as authorized under Internal Revenue Code Section 401(k). The Plan requires the Organization to match 50% of employee contributions up to 6% of the employee's salary. The Organization made contributions of \$5,779 and \$22,329 for the years ending May 31, 2016 (restated) and 2015, respectively.

#### Note 8 – Donated Services and Related-Party Transactions

A substantial number of volunteers have donated time to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since these services do not require specialized skills. A number of entertainers donated their time and skills to the Organization for the night of the Organization's main event. The Organization recognizes amounts as in-kind donation revenue and entertainment expense. As of May 31, 2016 (restated) and 2015, in-kind donations in the amount of \$723,274 and \$2,197,500, respectively, represent donated live auction items and event sponsorships.

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 8 – Donated Services and Related-Party Transactions (continued)**

CFNF Int'l was established in January 2015 and granted status as a 501(c)(3) entity in January 2016. A member of the board of directors for the Organization serves on the board of directors of CFNF Int'l. The Organization does not have a majority voting interest, economic interest, or control over CFNF Int'l. Therefore, the operations of CFNF Int'l are not consolidated with the Organization and are not presented within these financial statements.

Beginning with the September 2015 Italy Experience, all international events are operated through CFNF Int'l instead of the Organization. The Organization presold tickets on behalf of CFNF Int'l related to the September 2015 Italy Experience. As of May 31, 2015, the Organization had collected \$884,058 on behalf of CFNF Int'l, included in related-party payable on the statements of financial position. The Organization had no balance payable to CFNF Int'l as of May 31, 2016 (restated). The Organization also paid certain expenses on behalf of CFNF Int'l related to international events. As of May 31, 2016 (restated) and 2015, the Organization had \$105,023 and \$771,456, respectively, due from CFNF Int'l. The Organization contributed \$508,896 to CFNF Int'l during the year ended May 31, 2016 (restated), included in program expenses. There were no contributions to CFNF Int'l during the year ended May 31, 2015.

**Note 9 – Commitments**

The Organization had a commercial rental agreement effective September 1, 2005 to lease a facility in Phoenix, Arizona for approximately \$3,600 per month, and payment of certain additional expenses relating to the leased premises to October 31, 2014. The Organization renewed the lease for 39 months ending January 31, 2018. The monthly rent payments start at \$3,683 per month and increases by \$110 every 12 months. Rent expense for the facilities was approximately \$47,583 and \$37,397 for the years ended May 31, 2016 (restated) and 2015, respectively.

Future minimum rental payments due under the lease are as follow:

Years ending May 31,		
2017	\$	46,299
2018		<u>31,566</u>
Total	\$	<u><u>77,865</u></u>

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 10 – Concentrations**

During the years ended May 31, 2016 (restated) and 2015, approximately 19% and 34% of total revenues and support was contributed by one individual, respectively. Table sales and live auction sales represent a significant portion of gross revenue for the Arizona event as set forth in the table below for the years ended:

	2016 (restated)	2015
Table sales	40%	20%
Live auction sales	53%	45%

During the year ended May 31, 2016 (restated), 74% of in-kind donations of services and merchandise were received from three individuals. During the year ended May 31, 2015, 61% of in-kind donations of services and merchandise were received from four individuals. All in-kind donations of services and merchandise were recoded as fundraising expenses on the statements of functional expense.

As of May 31, 2016 (restated), 100% of accounts receivable were from five individuals. As of May 31, 2015, 100% of accounts receivable were from two individuals.

**Note 11 – Restatement of Financial Statements**

Subsequent to the original issuance of the Organization’s financial statements on November 18, 2016, an error was identified that the September 2015 Italy Experience and all related activities should be attributed to CFNF Int’l. The 2016 financial statements were adjusted to eliminate such activity from the balances as of and for the year ended May 31, 2016.

The following table shows the impact of the adjustments to statement of financial position line items as of May 31, 2016:

	As Previously Reported	Restatement Adjustment	As Restated
Cash and cash equivalents	\$ 912,594	\$ (997)	\$ 911,597
Accounts receivable	171,288	(78,588)	92,700
Related-party receivable	-	105,023	105,023
Total assets	2,164,499	25,438	2,189,937
Unrestricted net assets	927,519	25,438	952,957
Total net assets	1,702,745	25,438	1,728,183
Total liabilities and net assets	2,164,499	25,438	2,189,937

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 11 – Restatement of Financial Statements (continued)**

The following table shows the impact of the adjustments to statement of activities and changes in net assets line items for the year ended May 31, 2016:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Special events revenue, net	\$ 7,551,235	\$ (3,979,000)	\$ 3,572,235
Contributions, net (unrestricted)	2,070,381	(1,504,876)	565,505
Contributions, net (total)	2,083,663	(1,504,876)	578,787
Total revenues and support (unrestricted)	10,544,890	(5,483,876)	5,061,014
Total revenues and support (total)	10,358,172	(5,483,876)	4,874,296
Program expenses	2,548,997	(1,911,551)	637,446
Management and general expenses	333,237	(167,048)	166,189
Fundraising expenses	7,821,531	(3,431,130)	4,390,401
Total expenses	10,703,765	(5,509,729)	5,194,036
Investment income	4,584	1	4,585
Interest income	1,499	(416)	1,083
Total other changes in net assets	6,083	(415)	5,668
Change in net assets (unrestricted)	(152,792)	25,438	(127,354)
Change in net assets (total)	(339,510)	25,438	(314,072)
Net assets, end of year (unrestricted)	927,519	25,438	952,957
Net assets, end of year (total)	1,702,745	25,438	1,728,183

**CELEBRITY FIGHT NIGHT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 11 – Restatement of Financial Statements (continued)**

The following table shows the impact of the adjustments to statement of functional expenses line items for the year ended May 31, 2016:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Program expenses			
Contributions made	\$ 2,548,997	\$ (1,911,551)	\$ 637,446
Total program expenses	2,548,997	(1,911,551)	637,446
Management and general expenses			
Salaries and payroll taxes	81,238	(31,274)	49,964
Public relations and advertising	40,455	(7,689)	32,766
Accounting and legal	93,902	(80,540)	13,362
Contract labor	20,066	(3,867)	16,199
Miscellaneous	41,578	(33,357)	8,221
Postage and shipping	1,143	(700)	443
Insurance	16,550	(7,538)	9,012
Office supplies	12,209	(2,083)	10,126
Total management and general expenses	333,237	(167,048)	166,189
Fundraising expenses			
Direct costs of special events	6,288,646	(2,807,562)	3,481,084
Salaries and payroll taxes	734,700	(285,928)	448,772
Public relations and advertising	364,091	(69,195)	294,896
Accounting and legal	187,804	(161,081)	26,723
Contract labor	40,132	(7,733)	32,399
Miscellaneous	83,155	(66,712)	16,443
Postage and shipping	10,283	(6,297)	3,986
Insurance	33,099	(15,075)	18,024
Website	4,116	(1,396)	2,720
Travel	23,025	(10,151)	12,874
Total fundraising expenses	7,821,531	(3,431,130)	4,390,401
Total expenses	10,703,765	(5,509,729)	5,194,036

The following table shows the impact of the adjustments to statement of cash flows line items for the year ended May 31, 2016:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Change in net assets	\$ (339,510)	\$ 25,438	\$ (314,072)
Change in assets and liabilities			
Accounts receivable	8,711	78,588	87,299
Related-party receivable	-	(105,023)	(105,023)
Net cash used in operating activities	(2,837,774)	(997)	(2,838,771)