TEE IT UP FOR THE TROOPS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

MFK

Certified Public Accountants & Consultants
Meuwissen, Flygare, Kadrlik & Associates, P.A.

To the Board of Directors
Tee it Up for the Troops, Inc.
Burnsville, Minnesota

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Tee it Up for the Troops, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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.

Auditor's 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 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 of Tee it Up for the Troops, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Meuwissen, Flygare
Kadrlik & Associates, P.A.

Minneapolis, Minnesota
July 10, 2014

Ph: 952-541-1996 www.mfkcpa.com Fax: 952-541-4759

6400 Flying Cloud Drive, Suite 100
Eden Prairie, MN 55344

TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 558,823	$ 337,543
Investments	4,384	5,025
Account receivable	14,953	71,667
Prepaid expenses	-	38,400
Equipment, net of accumulated depreciation	20,612	18,310
Total assets	$ 598,772	$ 470,945
LIABILITIES AND NET ASSETS		
Donations payable	$ 362,981	$ 156,400
Deferred revenue	19,629	-
Other liabilities	29,951	18,602
Total liabilities	412,561	175,002
Net assets:		
Unrestricted	186,211	295,943
Total liabilities and net assets	$ 598,772	$ 470,945

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
UNRESTRICTED NET ASSETS		
Unrestricted revenues and gains		
Event income	$ 1,550,343	$ 1,495,498
Contributions	145,771	75,560
Other income	389	(168)
Total unrestricted revenues and gains	1,696,503	1,570,890
Expenses:		
Program services:		
Contributions	869,837	1,275,927
Contract labor	-	27,325
Event expense	651,409	181,417
Program expense	100	3,153
Travel	11,574	32,019
Total program services	1,532,920	1,519,841
Administrative:		
Board retreat	-	5,480
Depreciation	4,217	658
Insurance	6,290	4,225
Licenses and permits	345	155
Marketing	6,590	21,844
Miscellaneous	3,574	14,827
Office expense	7,744	14,495
Payroll expense	182,068	41,093
Professional services	21,758	11,312
Rent	30,074	9,263
Telephone/internet/cable	6,218	-
Utilities	4,437	-
Total administrative	273,315	123,352
Total expenses	1,806,235	1,643,193
Decrease in unrestricted net assets	(109,732)	(72,303)
Unrestricted net assets, beginning of year	295,943	368,246
Unrestricted net assets, end of year	$ 186,211	$ 295,943

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operations		
Decrease in unrestricted net assets	$ (109,732)	$ (72,303)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	4,217	658
Unrealized gain (loss) from investments	641	(4,966)
Change in assets and liabilities:		
Accounts receivable	56,714	(4,269)
Prepaid expenses	38,400	(38,400)
Deferred revenue	19,629	-
Donations payable	206,581	128,795
Other liabilities	11,349	10,845
Net cash from operating activities	227,799	20,360
Cash flows from investing activities		
Purchase of equipment	(6,519)	(18,968)
Net cash used by investing activities	(6,519)	(18,968)
Net increase in cash	221,280	1,392
Cash, beginning of year	337,543	336,151
Cash, end of year	$ 558,823	$ 337,543

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Tee it Up for the Troops, Inc. is a nonprofit corporation, incorporated in 2005. The Organization was established to help support the fallen and disabled members of our armed forces and their families.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

In accordance with the FASB Codification, the Organization is required to report information regarding its financial position and activities according to three net classes, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets.

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 disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2013 and 2012.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Contributions

Contributions are recorded at their net realizable values when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

1. Organization and Summary of Significant Accounting Policies (Continued)

Investments

Investments are recorded at their fair value. Investment income and related gains and losses, both realized and unrealized, are accounted for within unrestricted net assets upon the absence of donor restrictions.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Property and Equipment and Depreciation

Equipment is stated at cost or fair value at time of donation. Depreciation is provided over the estimated useful lives of the respective asses on a straight-line bases ranging from five to fifteen years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific events, campaign solicitations, and various assignments. During the years ended December 31, 2013 and 2012, the Organization received more than 4,900 and 4,300 volunteer hours, respectively.

Allocation of Expenses

The Organization's expenses are presented on a functional basis, showing basic program activities and support services. The Organization allocates expenses to program and support services based on the organizational cost centers (functional units) in which expenses are incurred.

Date of Management Review

Management has evaluated subsequent events through July 10, 2014, the date the financial statements were available to be issued.

2. Concentration of Credit Risk

The Organization maintains cash balances with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, such balances may be in excess of the FDIC limit.

3. Lease Commitments

Operating Lease

The Organization leases office space under an operating lease that expires in October 2017. Rent expense for 2013 and 2012 was $30,074 and $9,263. The following is a schedule by years of future minimum lease payments at December 31, 2013:

Year ending December 31,		
2014	$	17,447
2015		17,971
2016		18,510
2017		15,809
Total future minimum lease payments	$	69,736

4. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year 2013 and 2012.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2013 and 2012:

	2013	2012
Equipment	$ 17,397	$ 16,820
Tenant improvements	8,089	2,150
	25,486	18,970
Accumulated depreciation	(4,874)	(660)
	$ 20,612	$ 18,310

6. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 920 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with 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.

Following is a description of the valuation methodologies used for assets measured at fair value, including the general classification of such pursuant to the valuation hierarchy.

Common stocks and money market funds: Valued at the closing price reported on the active market on which the individual securities are treated.

6. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value as of December 31, 2013 and 2012:

Assets at Fair Value as of December 31, 2013

	Level 1	Level 2	Level 3	Total
Money market funds	$ 440	$ -	$ -	$ 440
Common stocks	3,944	-	-	3,944
Total investments	$ 4,384	$ -	$ -	$ 4,384

Assets at Fair Value as of December 31, 2012

	Level 1	Level 2	Level 3	Total
Money market funds	$ 409	$ -	$ -	$ 409
Common stocks	4,616	-	-	4,616
Total investments	$ 5,025	$ -	$ -	$ 5,025

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended December 31, 2013 and 2012:

	2013	2012
Dividends and interest	$ 35	$ 350
Net realized and unrealized gain (loss) on investments	328	(552)
	$ 363	$ (202)

Investment income is reported as unrestricted revenue, gains, and support.