TEE IT UP FOR THE TROOPS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Minneapolis, Minnesota
June 30, 2015

TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 262,870 | $ 558,823 |
| Investments | 3,448 | 4,384 |
| Account receivable | 99,313 | 14,953 |
| Prepaid expenses | 79,097 | 53,171 |
| Equipment, net of accumulated depreciation | 16,341 | 20,612 |
| Total assets | $ 461,069 | $ 651,943 |
| **LIABILITIES AND NET ASSETS** | | |
| Donations payable | $ 76,600 | $ 362,981 |
| Deferred revenue | 41,725 | 72,800 |
| Other liabilities | 21,009 | 29,951 |
| Total liabilities | 139,334 | 465,732 |
| Net assets: | | |
| Unrestricted | 321,735 | 186,211 |
| Total liabilities and net assets | $ 461,069 | $ 651,943 |

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---|---|---|
| UNRESTRICTED NET ASSETS | | |
| Unrestricted revenues and gains | | |
| Event income | $ 1,680,588 | $ 1,550,343 |
| Contributions | 132,823 | 145,771 |
| Other income | 3,110 | 389 |
| Total unrestricted revenues and gains | 1,816,521 | 1,696,503 |
| | | |
| Expenses: | | |
| Program services: | | |
| Donations | 781,951 | 869,837 |
| | | |
| Administrative: | | |
| Salaries and wages | 130,148 | 149,636 |
| Depreciation | 4,946 | 4,217 |
| Insurance | 6,893 | 6,290 |
| Licenses and permits | 425 | 345 |
| Marketing | 20,536 | 6,590 |
| Miscellaneous | 6,036 | 3,574 |
| Office expense | 5,396 | 7,744 |
| Professional services | 14,670 | 21,758 |
| Rent | 21,121 | 30,074 |
| Telephone/internet/cable | 4,165 | 6,218 |
| Travel | 8,409 | 5,787 |
| Utilities | 3,932 | 4,437 |
| Total administrative | 226,677 | 246,670 |
| | | |
| Fundraising: | | |
| Event expense | 640,994 | 651,509 |
| Salaries and wages | 22,967 | 32,432 |
| Travel | 8,408 | 5,787 |
| Total fundraising | 672,369 | 689,728 |
| | | |
| Total expenses | 1,680,997 | 1,806,235 |
| | | |
| Increase (decrease) in unrestricted net assets | 135,524 | (109,732) |
| | | |
| Unrestricted net assets, beginning of year | 186,211 | 295,943 |
| | | |
| Unrestricted net assets, end of year | $ 321,735 | $ 186,211 |

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---|---|---|
| Cash flows from operations | | |
| Increase (decrease) in unrestricted net assets | $ 135,524 | $ (109,732) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 4,946 | 4,217 |
| Unrealized loss from investments | 1,036 | 676 |
| Change in assets and liabilities: | | |
| Accounts receivable | (84,360) | 56,714 |
| Prepaid expenses | (25,926) | 38,400 |
| Deferred revenue | (31,075) | 19,629 |
| Donations payable | (286,381) | 206,581 |
| Other liabilities | (8,942) | 11,349 |
| Net cash from operating activities | (295,178) | 227,834 |
| Cash flows from investing activities | | |
| Purchase of equipment | (675) | (6,519) |
| Purchase of investments | (100) | (35) |
| Net cash used by investing activities | (775) | (6,554) |
| Net change in cash | (295,953) | 221,280 |
| Cash, beginning of year | 558,823 | 337,543 |
| Cash, end of year | $ 262,870 | $ 558,823 |

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 in accordance with accounting principles generally accepted in the United States.

*Financial Statement Presentation*

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets are the net assets of the Organization that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.

- Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

- Permanently restricted net assets are subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization has no temporarily or permanently restricted net assets.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and 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, 2014 and 2013.

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

*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. There was no allowance was deemed necessary at December 31, 2014 and 2013.

*Contributions*

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become 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.

*Investments*

Investments are generally recorded at fair value based on quoted market prices, when available, or estimates of fair value. Investment income or loss and related gains and losses, both realized and unrealized, are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor law.

*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*

Purchased equipment is stated at cost. The Organization capitalizes all acquisitions of property and equipment in excess of $500. Depreciation is provided over the estimated useful lives of the respective asses on a straight-line bases ranging from five to fifteen years. 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.

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

*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, but these services do not meet the criteria for recognition as contributed services. During the years ended December 31, 2014 and 2013, the Organization received more than 6,000 and 4,900 volunteer hours, respectively, but these services do not meet the criteria for recognition as contributed revenue.

*Deferred Revenue*

Contributions received for events that occur in the next fiscal year are deferred and recognized in the periods to which the contributions relate.

*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 June 30, 2015, 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. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

## 3. Lease Commitments

*Operating Lease*

The Organization leases office space under an operating lease that expires in October 2017. Rent expense for 2014 and 2013 was $21,121 and $30,074. The following is a schedule by years of future minimum lease payments at December 31, 2014:

| Year ending December 31, | | |
|---|---|---|
| 2015 | $ | 17,971 |
| 2016 | | 18,510 |
| 2017 | | 15,809 |
| Total future minimum lease payments | $ | 52,289 |

**4. Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization in classified as a public charity. The Organization is also exempt from state income tax.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2014, 2013, 2012, and 2011 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, 2014 and 2013:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Equipment | $ | 18,072 | $ | 17,397 |
| Tenant improvements | | 8,090 | | 8,090 |
| | | 26,162 | | 25,487 |
| Accumulated depreciation | | (9,821) | | (4,875) |
| | $ | 16,341 | $ | 20,612 |

**6. Fair Value Measurements**

The framework for measuring 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

*Level 1*: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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.

If the asset or liability has specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

**6. Fair Value Measurements (Continued)**

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.

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, 2014 and 2013:

*Assets at Fair Value as of December 31, 2014*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 540 | $ - | $ - | $ 540 |
| Common stocks | 2,908 | - | - | 2,908 |
| Total investments | $ 3,448 | $ - | $ - | $ 3,448 |

*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 |

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended December 31, 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Dividends and interest | $ 100 | $ 35 |
| Net realized and unrealized gain (loss) on investments | (1,036) | (676) |
| | $ (936) | $ (641) |

Investment income is reported as unrestricted revenue and gains.

**7. Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.