

TEE IT UP FOR THE TROOPS, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

August 11, 2016

TEE IT UP FOR THE TROOPS, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 358,858	\$ 262,870
Restricted cash	217,270	-
Total cash	\$ 576,128	\$ 262,870
Investments	2,827	3,448
Account receivable	136,571	99,313
Note receivable	16,051	-
Prepaid expenses	72,362	79,097
Equipment, net of accumulated depreciation	12,144	16,341
Total assets	\$ 816,083	\$ 461,069
<b>LIABILITIES AND NET ASSETS</b>		
Donations payable	\$ 250,896	\$ 76,600
Deferred revenue	51,071	41,725
Other liabilities	22,019	21,009
Total liabilities	323,986	139,334
Net assets:		
Permanently restricted	125,000	-
Unrestricted	367,097	321,735
Total net assets	492,097	321,735
Total liabilities and net assets	\$ 816,083	\$ 461,069

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014
	Unrestricted	Permanently Restricted	Total	Unrestricted, Total
<b>Revenues and gains</b>				
Event income	\$ 1,937,880	\$ -	\$ 1,937,880	\$ 1,680,588
Contributions	105,329	-	105,329	132,823
Grant revenue	125,000	125,000	250,000	-
Other income	3,531	-	3,531	3,110
Total revenues and gains	<u>2,171,740</u>	<u>125,000</u>	<u>2,296,740</u>	<u>1,816,521</u>
<b>Expenses</b>				
Program services				
Donations	<u>1,130,543</u>	-	<u>1,130,543</u>	<u>781,951</u>
Total program services	1,130,543	-	1,130,543	781,951
Administrative				
Salaries and wages	156,129	-	156,129	130,148
Depreciation	5,154	-	5,154	4,946
Insurance	6,949	-	6,949	6,893
Licenses and permits	810	-	810	425
Marketing	25,430	-	25,430	20,536
Miscellaneous	6,933	-	6,933	6,035
Office expense	7,645	-	7,645	5,396
Professional services	14,047	-	14,047	14,670
Rent	22,640	-	22,640	21,121
Telephone/internet/cable	4,218	-	4,218	4,165
Travel	9,356	-	9,356	8,409
Utilities	3,521	-	3,521	3,932
Total administrative	<u>262,832</u>	-	<u>262,832</u>	<u>226,676</u>
Fundraising				
Event expense	696,095	-	696,095	640,994
Salaries and wages	27,552	-	27,552	22,967
Travel	9,356	-	9,356	8,409
Total fundraising	<u>733,003</u>	-	<u>733,003</u>	<u>672,370</u>
Total expenses	<u>2,126,378</u>	-	<u>2,126,378</u>	<u>1,680,997</u>
Increase in net assets	45,362	125,000	170,362	135,524
Net assets, beginning of year	<u>321,735</u>	-	<u>321,735</u>	<u>186,211</u>
Net assets, end of year	<u>\$ 367,097</u>	<u>\$ 125,000</u>	<u>\$ 492,097</u>	<u>\$ 321,735</u>

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Increase in net assets	\$ 170,362	\$ 135,524
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions restricted for long term purposes	(125,000)	-
Depreciation	5,154	4,946
Unrealized loss from investments	751	1,036
Change in assets and liabilities:		
Accounts receivable	(37,258)	(84,360)
Prepaid expenses	6,735	(25,926)
Deferred revenue	9,346	(31,075)
Donations payable	174,296	(286,381)
Other liabilities	1,010	(8,942)
Net cash from (used by) operating activities	205,396	(295,178)
Cash flows from investing activities		
Purchase of equipment	(957)	(675)
Purchase of investments	(130)	(100)
Issuance of note receivable	(16,051)	-
Net cash used by investing activities	(17,138)	(775)
Cash flows from financing activities		
Contributions restricted for long term purposes	125,000	-
Net cash from financing activities	125,000	-
Net change in cash	313,258	(295,953)
Cash, beginning of year	262,870	558,823
Cash, end of year	\$ 576,128	\$ 262,870

See accompanying notes to financial statements.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. Organization and Summary of Significant Accounting Policies**

*Organization and Nature of Activities*

Tee it Up for the Troops, Inc. (the Organization) 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.

*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, 2015 and 2014.

*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 deemed necessary at December 31, 2015 and 2014.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

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

*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 assets on a straight-line basis 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.

*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, 2015 and 2014, 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.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

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

*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 August 11, 2016, the date the financial statements were available to be issued.

**2. Restricted Cash**

Cash restricted for grant purposes for the year ended December 31, 2015 is \$217,270. Of that, \$108,949 is restricted for future loans to recipients of the Anytime Fitness® grant program and \$108,321 is restricted for grant purposes.

**3. 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.

**4. Lease Commitments**

*Operating Lease*

The Organization leases office space under an operating lease that expires in October 2017. Rent expense for 2015 and 2014 was \$22,640 and \$21,121. The following is a schedule by years of future minimum lease payments at December 31, 2015:

<u>Year Ending December 31,</u>	
2016	\$ 18,510
2017	<u>15,809</u>
Total future minimum lease payments	<u><u>\$ 34,318</u></u>

**5. 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 is 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 2015, 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

**6. Grant Revenue Concentration and Permanently Restricted Net Assets**

During the year ended December 31, 2015, the Organization received \$250,000 in the form of a grant from another 501(c)(3) nonprofit organization. The grant totaled 11% of total revenue for the year ended December 31, 2015. Such grants are not guaranteed each year. Fifty percent of this grant has been approved to be given out to a recipient as of December 31, 2015.

As of December 31, 2015 and 2014, permanently restricted net assets consisted of \$125,000 and \$0, respectively. The permanently restricted net assets are to be used in perpetuity to create a loan fund to be used to loan to veterans that meet certain criteria for the purpose of assisting with initial start-up capital to be used for the development of an Anytime Fitness® franchise. As of December 31, 2015, \$16,051 has been loaned and is receivable from the recipient.

**7. Property and Equipment**

Property and equipment consist of the following as of December 31, 2015 and 2014:

	2015	2014
Equipment	\$ 19,029	\$ 18,072
Tenant improvements	8,090	8,090
	27,119	26,162
Accumulated depreciation	(14,975)	(9,821)
	\$ 12,144	\$ 16,341

**8. 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.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

**8. 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 traded.

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 Organization 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, 2015 and 2014:

<i>Assets at Fair Value as of December 31, 2015</i>				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 635	\$ -	\$ -	\$ 635
Common stocks	2,192	-	-	2,192
Total investments	\$ 2,827	\$ -	\$ -	\$ 2,827

<i>Assets at Fair Value as of December 31, 2014</i>				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 540	\$ -	\$ -	\$ 540
Common stocks	2,908	-	-	2,908
Total investments	\$ 3,448	\$ -	\$ -	\$ 3,448

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended December 31, 2015 and 2014:

	2015	2014
Dividends and interest	\$ 130	\$ 100
Net realized and unrealized gain (loss) on investments	(751)	(1,036)
	\$ (621)	\$ (936)

Investment income is reported as unrestricted revenue and gains.

**9. 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.