

TEE IT UP FOR THE TROOPS, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

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*Certified Public Accountants & Consultants  
Meuwissen, Flygare, Kadrlík & 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, 2018 and 2017, 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.

#### *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, 2018 and 2017, 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  
Kadrlík & Associates, P.A.*  
November 13, 2019

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TEE IT UP FOR THE TROOPS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 139,058	\$ 272,518
Restricted cash	181,680	178,947
Total cash	320,738	451,465
Accounts receivable	97,201	151,312
Prepaid expenses	64,910	63,904
Notes receivable	145,309	166,053
Equipment, net of accumulated depreciation	3,578	4,301
Total assets	\$ 631,736	\$ 837,035
LIABILITIES AND NET ASSETS		
Donations payable	\$ 150,747	\$ 295,494
Deferred event fees	41,415	69,030
Other liabilities	20,275	19,417
Total liabilities	212,437	383,941
Net assets:		
With donor restrictions	230,000	250,000
Without donor restrictions	189,299	203,094
Total net assets	419,299	453,094
Total liabilities and net assets	\$ 631,736	\$ 837,035

See accompanying notes to financial statements and independent auditor's report.

TEE IT UP FOR THE TROOPS, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>NET ASSETS</b>						
<b>Revenues and gains</b>						
Event income	\$ 2,070,623	\$ -	\$2,070,623	\$2,282,445	\$ -	\$2,282,445
Contributions	132,616	-	132,616	86,567	-	86,567
Grant revenue	-	-	-	125,000	-	125,000
Other income	8,282	-	8,282	4,528	-	4,528
Net assets released from restrictions	20,000	(20,000)	-	-	-	-
Total revenues and gains	<u>2,231,521</u>	<u>(20,000)</u>	<u>2,211,521</u>	<u>2,498,540</u>	<u>-</u>	<u>2,498,540</u>
Less direct event expenses	<u>(600,582)</u>	<u>-</u>	<u>(600,582)</u>	<u>(687,100)</u>	<u>-</u>	<u>(687,100)</u>
Total revenues and gains, net	1,630,939	(20,000)	1,610,939	1,811,440	-	1,811,440
<b>Expenses</b>						
Program services	1,327,339	-	1,327,339	1,537,125	-	1,537,125
General and administrative	87,208	-	87,208	69,795	-	69,795
Fundraising	230,187	-	230,187	229,573	-	229,573
Total expenses	<u>1,644,734</u>	<u>-</u>	<u>1,644,734</u>	<u>1,836,493</u>	<u>-</u>	<u>1,836,493</u>
Increase (decrease) in net assets	(13,795)	(20,000)	(33,795)	(25,053)	-	(25,053)
Net assets, beginning of year	<u>203,094</u>	<u>250,000</u>	<u>453,094</u>	<u>228,147</u>	<u>250,000</u>	<u>478,147</u>
Net assets, end of year	<u>\$ 189,299</u>	<u>\$ 230,000</u>	<u>\$ 419,299</u>	<u>\$ 203,094</u>	<u>\$ 250,000</u>	<u>\$ 453,094</u>

See accompanying notes to financial statements and independent auditor's report.

TEE IT UP FOR THE TROOPS, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program services	Support Services		Total	Program services	Support Services		Total
		General and administrative	Fundraising			General and administrative	Fundraising	
Donations	\$ 1,101,710	\$ -	\$ -	\$1,101,710	\$ 1,398,748	\$ -	\$ -	\$1,398,748
Salaries and wages	69,427	40,932	160,997	271,356	78,457	37,662	131,692	247,811
Depreciation	-	1,425	-	1,425	-	4,630	-	4,630
Indirect event expenses	101,944	22,025	20,397	144,366	18,008	5,002	59,462	82,472
Insurance	5,255	306	3,372	8,933	6,522	1,071	5,898	13,491
Licenses and permits	-	-	-	-	-	-	495	495
Marketing	3,892	72	2,013	5,977	7,426	23	3,820	11,269
Miscellaneous	408	4,263	130	4,801	1,434	4,389	469	6,292
Office expense	6,655	1,088	4,525	12,268	2,497	916	3,482	6,895
Professional services	13,985	10,874	8,049	32,908	4,730	10,174	1,556	16,460
Rent	8,223	4,744	18,660	31,627	9,626	4,528	15,834	29,988
Repairs and	959	30	829	1,818	1,601	5	824	2,430
Telephone/internet/cable	1,102	636	2,501	4,239	1,470	691	2,417	4,578
Travel	12,763	229	6,407	19,399	4,193	13	2,156	6,362
Utilities	1,016	584	2,307	3,907	2,413	691	1,468	4,572
<b>Total expenses</b>	<b><u>\$ 1,327,339</u></b>	<b><u>\$ 87,208</u></b>	<b><u>\$ 230,187</u></b>	<b><u>\$1,644,734</u></b>	<b><u>\$ 1,537,125</u></b>	<b><u>\$ 69,795</u></b>	<b><u>\$ 229,573</u></b>	<b><u>\$1,836,493</u></b>

See accompanying notes to financial statements and independent auditor's report.

TEE IT UP FOR THE TROOPS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows used in operating activities		
Decrease in net assets	\$ (33,795)	\$ (25,053)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,425	4,630
Unrealized gain from investments	-	(853)
Change in assets and liabilities:		
Accounts receivable	54,111	(42,174)
Prepaid expenses	(1,006)	(453)
Deferred revenue	(27,615)	6,681
Donations payable	(144,747)	15,263
Other liabilities	858	(22,377)
Net cash used in operating activities	(150,769)	(64,336)
Cash flows used in investing activities		
Purchase of equipment	(702)	(1,919)
Sale of investments	-	4,268
Issuance of notes receivable	(143,908)	(143,908)
Payments on notes receivable	164,652	19,556
Net cash from (used in) investing activities	20,042	(122,003)
Net change in cash	(130,727)	(186,339)
Cash, beginning of year	451,465	637,804
Cash, end of year	\$ 320,738	\$ 451,465

See accompanying notes to financial statements and independent auditor's report.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

**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 of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

*Financial Statement Presentation*

The Organization is required to report information regarding its financial position and activities according to two net asset classes, net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions are the net assets of the Organization that are not restricted by donors.
- Net assets with donor restrictions 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, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

At December 31, 2018 and 2017, Tee it Up for the Troops, Inc. had assets with donor restrictions of \$230,000 and \$250,000, respectively.

*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, 2018 and 2017.

*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, 2018 and 2017.



TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

**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 net assets with donor restrictions or net assets without donor restrictions, 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

*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 net assets with donor restrictions to net assets without donor restrictions 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, 2018 and 2017, the Organization received more than 18,000 and 21,000 volunteer hours, respectively, but these services do not meet the criteria for recognition as contributed revenue.

*Deferred Event Fees*

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

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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

*New Accounting Pronouncement*

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 9).

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 203,094	\$ -
Permanently restricted net assets	250,000	-
Net assets without donor restrictions	-	203,094
Net assets with donor restriction	-	250,000
 Total net assets	 <u>\$ 453,094</u>	 <u>\$ 453,094</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

*Date of Management Review*

Management has evaluated subsequent events through November 13, 2019, the date the financial statements were available to be issued.

**2. Restricted Cash**

Cash restricted for grant purposes for the years ended December 31, 2018 and 2017 is \$181,680 and \$178,947, respectively. Of that, the following is restricted for future loans and grant purposes to recipients of the Anytime Fitness® grant program:

	<u>2018</u>	<u>2017</u>
Future loans	\$ 86,680	\$ 83,947
Grant purposes	95,000	95,000
	<u>\$ 181,680</u>	<u>\$ 178,947</u>

TEE IT UP FOR THE TROOPS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 AND 2017

**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 December 2020. Rent expense for 2018 and 2017, including operating expenses was \$31,627 and \$29,988, respectively. The following is a schedule by year of future minimum lease payments at December 31, 2018:

<u>Year Ending December 31,</u>	
2019	\$ 18,970
2020	<u>18,970</u>
Total future minimum lease payments	<u><u>\$ 37,940</u></u>

**5. Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization is classified as a public charity. The Organization is also exempt from state income tax. The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements.

The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized benefits. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

**6. Grant Revenue Concentration, Restricted Net Assets, and Notes Receivable**

For the year ended December 31, 2018, \$230,000 grant was donor restricted for grant purposes of opening Anytime Fitness® franchise locations. The donor 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. The notes are payable over 48 months at an interest rate of three percent. The note receivable balance of the first recipient as of December 31, 2018 and 2017 was \$3,111 and \$22,145, respectively. The second recipient's note receivable balance at December 31, 2018 and 2017 was \$142,199 and \$143,908, respectively.

During the year ended December 31, 2017, the Organization received a grant from the same 501(c)(3) nonprofit organization for the purpose of opening another Anytime Fitness® franchise location with a different recipient in the amount of \$125,000. Such grants are not guaranteed each year. As of December 31, 2018 and 2017, the recipient has spent \$30,000 of expenses and the remaining \$95,000 is included in donations payable.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

**7. Property and Equipment**

Property and equipment consist of the following as of December 31, 2018 and 2017:

	2018	2017
Equipment	\$ 21,650	\$ 20,948
Tenant improvements	8,090	8,090
	29,740	29,038
Accumulated depreciation	(26,162)	(24,737)
Equipment, net	\$ 3,578	\$ 4,301

Total depreciation expense for the years ended December 31, 2018 and 2017 was \$1,425 and \$4,630, respectively.

**8. Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program, supporting services, and fundraising on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**9. Liquidity and Availability of Financial Assets**

The Organization has \$322,939 of financial assets available within one year of the statement of financial position date, December 31, 2018, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$320,738 and accounts receivable of \$97,201, less \$95,000 of donations payable. At December 31, 2017, the Organization had \$507,777 of financial assets available within one year, to meet cash needs for general operating expenditures, consisting of cash of \$451,465 and accounts receivable of \$151,312, less \$95,000 of accrued donations. The following reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

	2018	2017
Financial assets, at year end	\$ 417,939	\$ 602,777
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	(95,000)	(95,000)
Financial assets available, at year end	\$ 322,939	\$ 507,777