

TEE IT UP FOR THE TROOPS, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 12, 2020



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TEE IT UP FOR THE TROOPS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	Restated 2018
ASSETS		
Cash	\$ 419,291	\$ 139,058
Restricted cash	181,945	181,680
Total cash	601,236	320,738
Accounts receivable	29,481	97,201
Prepaid expenses	91,038	64,910
Notes receivable	105,454	145,309
Equipment, net of accumulated depreciation	3,350	3,578
Total assets	\$ 830,559	\$ 631,736
LIABILITIES AND NET ASSETS		
Donations payable	\$ 169,536	\$ 150,747
Deferred event fees	85,446	41,415
Other liabilities	37,426	20,275
Total liabilities	292,408	212,437
Net assets:		
With donor restrictions	250,000	250,000
Without donor restrictions	288,151	169,299
Total net assets	538,151	419,299
Total liabilities and net assets	\$ 830,559	\$ 631,736

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, 2019 AND 2018

	2019		Restated 2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
NET ASSETS				
Revenues and gains				
Event income	\$ 2,017,518	\$ -	\$2,070,623	\$ -
Contributions	149,811	-	132,616	-
Other income	5,693	-	8,282	-
Total revenues and gains	<u>2,173,022</u>	<u>-</u>	<u>2,211,521</u>	<u>-</u>
Less direct event expenses	<u>(612,963)</u>	<u>-</u>	<u>(600,582)</u>	<u>-</u>
Total revenues and gains, net	<u>1,560,059</u>	<u>-</u>	<u>1,610,939</u>	<u>-</u>
Expenses				
Program services	1,096,381	-	1,327,339	-
General and administrative	90,890	-	87,208	-
Fundraising	253,936	-	230,187	-
Total expenses	<u>1,441,207</u>	<u>-</u>	<u>1,644,734</u>	<u>-</u>
Increase (decrease) in net assets	118,852	-	(33,795)	-
Net assets, beginning of year	<u>169,299</u>	<u>250,000</u>	<u>203,094</u>	<u>250,000</u>
Net assets, end of year	<u>\$ 288,151</u>	<u>\$ 250,000</u>	<u>\$ 169,299</u>	<u>\$ 250,000</u>
				<u>\$ 419,299</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, 2019 AND 2018

	2019			2018		
	Program services	Support Services		Program services	Support Services	
		General and administrative	Fundraising		General and administrative	Fundraising
Donations	\$ 880,249	-	-	\$ 1,101,710	-	\$ 1,101,710
Salaries and wages	81,066	47,669	187,499	69,427	160,997	271,356
Depreciation	-	946	-	-	-	1,425
Indirect event expenses	81,693	20,116	14,718	101,944	22,025	144,366
Insurance	5,858	706	4,888	5,255	3,372	8,933
Marketing	11,753	216	6,029	3,892	2,013	5,977
Miscellaneous	1,242	2,421	571	408	130	4,801
Office expense	5,481	1,256	5,352	6,655	1,088	12,268
Professional services	759	10,809	774	13,985	8,049	32,908
Rent	7,894	4,554	17,913	8,223	18,660	31,627
Repairs and maintenance	1,597	29	819	959	829	1,818
Telephone/internet/cable	1,843	1,063	4,182	1,102	2,501	4,239
Travel	15,524	285	7,964	12,763	6,406	19,398
Utilities	1,422	820	3,227	1,016	2,308	3,908
Total expenses	\$ 1,096,381	\$ 90,890	\$ 253,936	\$ 1,327,339	\$ 87,208	\$ 1,644,734

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, 2019 AND 2018

	2019	2018
Cash flows used in operating activities		
Increase (decrease) in net assets	\$ 118,852	\$ (33,795)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	946	1,425
Change in assets and liabilities:		
Accounts receivable	67,720	54,111
Prepaid expenses	(26,128)	(1,006)
Deferred revenue	44,031	(27,615)
Donations payable	18,789	(144,747)
Other liabilities	17,151	858
Net cash from (used in) operating activities	241,361	(150,769)
 Cash flows from investing activities		
Purchase of equipment	(718)	(702)
Issuance of notes receivable	-	(143,908)
Payments on notes receivable	39,855	164,652
Net cash from investing activities	39,137	20,042
 Net change in cash	280,498	(130,727)
 Cash, beginning of year	320,738	451,465
 Cash, end of year	\$ 601,236	\$ 320,738

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

TEE IT UP FOR THE TROOPS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, Tee it Up for the Troops, Inc. had assets with donor restrictions of \$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, 2019 and 2018.

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, 2019 and 2018.

TEE IT UP FOR THE TROOPS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the Organization received more than 16,000 and 18,000 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, 2019 AND 2018

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

Adoption of New Accounting Standards

ASC Topic 606 - Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that an organization should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard as of and for the year ended December 31, 2019. Contributions are recognized in the year they are received, which coincides with the Organization's year.

Date of Management Review

Management has evaluated subsequent events through November 12, 2020, the date the financial statements were available to be issued.

2. Restricted Cash

Cash restricted for grant purposes for the years ended December 31, 2019 and 2018 is \$181,945 and \$181,680, respectively. Of that, the following is restricted for future loans and grant purposes to recipients of the Anytime Fitness® grant program:

	2019	2018
Future loans	\$ 116,025	\$ 86,680
Grant purposes	65,920	95,000
	\$ 181,945	\$ 181,680

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 2019 and 2018, including operating expenses was \$30,362 and \$31,627, respectively. The

TEE IT UP FOR THE TROOPS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019 AND 2018

4. Lease Commitments (continued)

following is a schedule by year of future minimum lease payments at December 31, 2019:

<u>Year Ending December 31,</u>	
2020	\$ 18,970
Total future minimum lease payments	<u>\$ 18,970</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 2019, 2018, 2017, and 2016 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, 2019, a \$250,000 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, 2019 and 2018 was \$0 and \$3,111, respectively. The second recipient's note receivable balance at December 31, 2019 and 2018 was \$105,454 and \$142,199, 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, 2019 and 2018 the recipient has spent \$59,080 and \$30,000 of expenses, respectively, and the remaining \$65,920 and \$95,000 is included in donations payable, respectively.

TEE IT UP FOR THE TROOPS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. Property and Equipment

Property and equipment consist of the following as of December 31, 2019 and 2018:

	2019	2018
Equipment	\$ 22,368	\$ 21,650
Tenant improvements	8,090	8,090
	30,458	29,740
Accumulated depreciation	(27,108)	(26,162)
Equipment, net	\$ 3,350	\$ 3,578

Total depreciation expense for the years ended December 31, 2019 and 2018 was \$946 and \$1,425, 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. Fundraising Expense

Total fundraising expense for the years ended December 31, 2019 and 2018, was \$253,936 and \$230,187 or 11.7% and 10.4% of the total revenue, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

10. Liquidity and Availability of Financial Assets

The Organization has \$564,797 of financial assets available within one year of the statement of financial position date, December 31, 2019, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$601,236 and accounts receivable of \$29,481, less \$65,920 of donations payable. At December 31, 2018, the Organization had \$322,939 of financial assets available within one year, to meet cash needs for general operating expenditures, consisting of cash of \$417,939 and accounts receivable of \$97,201, less \$95,000 of accrued donations. The following reflects the Organization's financial assets as of December 31, 2019 and 2018, 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	\$ 630,717	\$ 417,939
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	(65,920)	(95,000)
Financial assets available, at year end	\$ 564,797	\$ 322,939

TEE IT UP FOR THE TROOPS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Correction of Error

Certain errors resulting in an understatement of the organization's net assets with restrictions and an overstatement of the organization's net assets without restrictions as of December 31, 2018 were discovered subsequent to the issuance of our report on those financial statements dated November 12, 2019.

Adjustments were made to correct the balances in net assets with restrictions at December 31, 2018 to \$250,000. Accordingly, the financial statements for the years ended December 31, 2018 have been restated and adjustments have been made to net assets with restrictions to correct the error. The following are the amounts affected from the 2018 financial statements:

	<u>As Reported</u> 2018	<u>As Adjusted</u> 2018
Net assets with donor restrictions	<u>\$ 230,000</u>	<u>\$ 250,000</u>
Net assets without donor restrictions	<u>\$ 189,299</u>	<u>\$ 169,299</u>

12. Subsequent Events and Contingencies

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. While the Company expects this matter to negatively impact its operating results in the future, the related financial impact and duration cannot be reasonably estimated at this time. No adjustments have been made to these financial statements as a result of this uncertainty.