

TEE IT UP FOR THE TROOPS, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 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 statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Meuwissen, Flygare
Kadrlík & Associates, P.A.*

November 7, 2018



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TEE IT UP FOR THE TROOPS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Cash	\$ 272,518
Restricted cash	178,947
Total cash	<u>451,465</u>
Accounts receivable	151,312
Prepaid expenses	63,904
Notes receivable	166,053
Equipment, net of accumulated depreciation	<u>4,301</u>
Total assets	<u>\$ 837,035</u>

LIABILITIES AND NET ASSETS

Donations payable	\$ 295,494
Deferred event fees	69,030
Other liabilities	<u>19,417</u>
Total liabilities	383,941
Net assets:	
Permanently restricted	250,000
Unrestricted	<u>203,094</u>
Total net assets	<u>453,094</u>
Total liabilities and net assets	<u>\$ 837,035</u>

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

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and gains			
Event income	\$ 2,282,445	\$ -	\$ 2,282,445
Contributions	86,567	-	86,567
Grant revenue	125,000	-	125,000
Other income	4,528	-	4,528
Total revenues and gains	<u>2,498,540</u>	-	<u>2,498,540</u>
Less direct event expenses	<u>(687,100)</u>	-	<u>(687,100)</u>
Total revenues and gains, net	1,811,440	-	1,811,440
Expenses			
Program services			
Donations	1,398,748	-	1,398,748
Salaries and wages	78,457	-	78,457
Indirect event expenses	18,008	-	18,008
Insurance	6,522	-	6,522
Marketing	7,426	-	7,426
Miscellaneous	1,534	-	1,534
Office expense	2,497	-	2,497
Professional services	4,630	-	4,630
Rent	9,626	-	9,626
Repairs and maintenance	1,601	-	1,601
Telephone/internet/cable	1,470	-	1,470
Travel	4,193	-	4,193
Utilities	2,413	-	2,413
Total program services	<u>1,537,125</u>	-	<u>1,537,125</u>
Support services			
Salaries and wages	37,662	-	37,662
Depreciation	4,630	-	4,630
Indirect event expenses	5,002	-	5,002
Insurance	1,071	-	1,071
Marketing	23	-	23
Miscellaneous	4,389	-	4,389
Office expense	916	-	916
Professional services	10,174	-	10,174
Rent	4,528	-	4,528
Repairs and maintenance	5	-	5
Telephone/internet/cable	691	-	691
Travel	14	-	14
Utilities	690	-	690
Total support services	<u>69,795</u>	-	<u>69,795</u>

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 - CONTINUED
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Fundraising			
Salaries and wages	131,692	-	131,692
Indirect event expenses	59,462	-	59,462
Insurance	5,898	-	5,898
Licenses and permits	495	-	495
Marketing	3,820	-	3,820
Miscellaneous	469	-	469
Office expense	3,482	-	3,482
Professional services	1,556	-	1,556
Rent	15,834	-	15,834
Repairs and maintenance	824	-	824
Telephone/internet/cable	2,417	-	2,417
Travel	2,157	-	2,157
Utilities	1,467	-	1,467
Total fundraising	<u>229,573</u>	<u>-</u>	<u>229,573</u>
Total expenses	<u>1,836,493</u>	<u>-</u>	<u>1,836,493</u>
Increase (decrease) in net assets	(25,053)	-	(25,053)
Net assets, beginning of year	<u>228,147</u>	<u>250,000</u>	<u>478,147</u>
Net assets, end of year	<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.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

Cash flows used in operating activities	
Decrease in net assets	\$ (25,053)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	4,630
Unrealized gain from investments	(853)
Change in assets and liabilities:	
Accounts receivable	(42,174)
Prepaid expenses	(453)
Deferred revenue	6,681
Donations payable	15,263
Other liabilities	(22,377)
Net cash used in operating activities	<u>(64,336)</u>
Cash flows used in investing activities	
Purchase of equipment	(1,919)
Sale of investments	4,268
Issuance of notes receivable	(143,908)
Payments on notes receivable	19,556
Net cash used in investing activities	<u>(122,003)</u>
Net change in cash	(186,339)
Cash, beginning of year	<u>637,804</u>
Cash, end of year	<u><u>\$ 451,465</u></u>

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

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

TEE IT UP FOR THE TROOPS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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 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 the donor.

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 year ended December 31, 2017, the Organization received more than 21,000 volunteer hours, but these services do not meet the criteria for recognition as contributed revenue.

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

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

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.

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 November 7, 2018, the date the financial statements were available to be issued.

2. Restricted Cash

Cash restricted for grant purposes for the year ended December 31, 2017 is \$176,562. Of that, the following is restricted for future loans and grant purposes to recipients of the Anytime Fitness® grant program:

	2017
Future loans	\$ 83,947
Grant purposes	95,000
	\$ 178,947

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 2017, including operating expenses was \$29,988. The following is a schedule by year of future minimum lease payments at December 31, 2017:

<u>Year Ending December 31,</u>	
2018	\$ 18,970
2019	18,970
2020	18,970
Total future minimum lease payments	\$ 56,910

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

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 2017, 2016, 2015, and 2014 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, 2017, \$250,000 grant was permanently restricted for grant purposes of opening Anytime Fitness® franchise locations. 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. 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, 2017 was \$22,145. The second recipient's note receivable balance at December 31, 2017 was \$143,908.

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, 2017, the recipient has spent \$30,000 of expenses and the remaining \$95,000 is included in donations payable.

7. Property and Equipment

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

	2017
Equipment	\$ 20,948
Tenant improvements	8,090
	29,038
Accumulated depreciation	(24,737)
Equipment, net	\$ 4,301

Total depreciation expense for the year ended December 31, 2017 was \$4,630.

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.