

TEE IT UP FOR THE TROOPS, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

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*Certified Public Accountants & Consultants  
Meuwissen, Flygare, Kadrlik & Associates, P.A.*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tee it Up for the Troops, Inc.  
Burnsville, Minnesota

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tee it Up for the Troops, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tee it Up for the Troops, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tee it Up for the Troops, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tee it Up for the Troops, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Melvinissen Flygare*  
*Kadrlik & Associates, P.A.*  
Eden Prairie, Minnesota  
October 31, 2023

TEE IT UP FOR THE TROOPS, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 1,400,645	\$ 1,191,010
Accounts receivable	132,571	102,496
Prepaid expenses	49,988	28,659
Notes receivable	190,000	125,000
Equipment, net of accumulated depreciation	1,992	1,571
Right-of-use assets, operating leases	<u>24,171</u>	<u>-</u>
Total assets	<u><u>\$ 1,799,367</u></u>	<u><u>\$ 1,448,736</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Donations payable	\$ 194,782	\$ 119,984
Deferred event fees	132,158	62,550
Operating lease liabilities	27,449	-
Other liabilities	<u>38,181</u>	<u>41,900</u>
Total liabilities	392,570	224,434
Net assets:		
With donor restrictions	153,942	180,592
Without donor restrictions	<u>1,252,855</u>	<u>1,043,710</u>
Total net assets	<u><u>1,406,797</u></u>	<u><u>1,224,302</u></u>
Total liabilities and net assets	<u><u>\$ 1,799,367</u></u>	<u><u>\$ 1,448,736</u></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  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains						
Event income	\$ 2,568,243	\$ -	\$2,568,243	\$2,322,865	\$ -	\$2,322,865
Contributions	384,379	-	384,379	218,740	-	218,740
Other income	4,287	-	4,287	7,659	-	7,659
PPP loan forgiveness	-	-	-	127,312	-	127,312
Net assets released from restrictions	26,650	(26,650)	-	19,408	(19,408)	-
Total revenues and gains	2,983,559	(26,650)	2,956,909	2,695,984	(19,408)	2,676,576
Less direct event expenses	(77,368)	-	(77,368)	(61,849)	-	(61,849)
Total revenues and gains, net	2,906,191	(26,650)	2,879,541	2,634,135	(19,408)	2,614,727
Expenses						
Program services	2,333,987	-	2,333,987	2,037,095	-	2,037,095
General and administrative	114,079	-	114,079	133,977	-	133,977
Fundraising	248,980	-	248,980	174,803	-	174,803
Total expenses	2,697,046	-	2,697,046	2,345,875	-	2,345,875
Increase in net assets	209,145	(26,650)	182,495	288,260	(19,408)	268,852
Net assets, beginning of year	1,043,710	180,592	1,224,302	755,450	200,000	955,450
Net assets, end of year	<u>\$ 1,252,855</u>	<u>\$ 153,942</u>	<u>\$1,406,797</u>	<u>\$1,043,710</u>	<u>\$ 180,592</u>	<u>\$1,224,302</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, 2022 AND 2021

	2022				2021			
	Program services	Support Services		Total	Program services	Support Services		Total
		General and administrative	Fundraising			General and administrative	Fundraising	
Donations	\$ 1,371,717	\$ -	\$ -	\$1,371,717	\$ 1,224,483	\$ -	\$ -	\$1,224,483
Indirect event expenses	771,171	46,923	23,881	841,975	619,340	39,046	22,014	680,400
Salaries and wages	119,071	42,734	192,302	354,107	127,670	69,601	132,574	329,845
Rent	9,270	3,871	17,421	30,562	8,140	4,383	8,349	20,872
Travel	21,531	806	2,102	24,439	10,978	411	1,072	12,461
Marketing	16,248	609	1,586	18,443	22,303	835	2,177	25,315
Professional services	1,382	14,279	453	16,114	4,302	11,895	208	16,405
Office expense	9,531	646	2,853	13,030	5,287	1,175	2,258	8,720
Insurance	7,937	604	2,224	10,765	6,199	812	1,679	8,690
Utilities	3,744	1,322	5,947	11,013	1,973	1,062	2,023	5,058
Miscellaneous	1,028	1,562	79	2,669	3,163	2,831	290	6,284
Repairs and maintenance	1,357	51	132	1,540	1,273	48	124	1,445
Depreciation	-	672	-	672	-	810	-	810
Telephone/internet/cable	-	-	-	-	1,984	1,068	2,035	5,087
Total expenses	<u>\$ 2,333,987</u>	<u>\$ 114,079</u>	<u>\$ 248,980</u>	<u>\$2,697,046</u>	<u>\$ 2,037,095</u>	<u>\$ 133,977</u>	<u>\$ 174,803</u>	<u>\$2,345,875</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows used in operating activities		
Increase in net assets	\$ 182,495	\$ 268,852
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	672	810
PPP loan forgiveness	-	(127,312)
Loss on disposal of asset	-	95
Change in assets and liabilities:		
Accounts receivable	(30,075)	(76,865)
Prepaid expenses	(21,329)	(25,786)
Right-of-use assets, operating leases	(24,171)	-
Deferred revenue	69,608	23,011
Donations payable	74,798	84,431
Operating lease liabilities	27,449	-
Other liabilities	(3,719)	30,777
Net cash provided by operating activities	<u>275,728</u>	<u>178,013</u>
Cash flows from investing activities		
Purchase of equipment	(1,093)	-
Issuance of notes receivable	(65,000)	(26,881)
Payments on notes receivable	<u>-</u>	<u>40,476</u>
Net cash provided by (used in) investing activities	(66,093)	13,595
Cash flows from financing activities		
Proceeds from paycheck protection loan	<u>-</u>	<u>65,130</u>
Net cash provided by financing activities	<u>-</u>	<u>65,130</u>
Net change in cash	209,635	256,738
Cash, beginning of year	<u>1,191,010</u>	<u>934,272</u>
Cash, end of year	<u><u>\$ 1,400,645</u></u>	<u><u>\$ 1,191,010</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, 2022 AND 2021

**Note 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, 2022 and 2021, Tee it Up for the Troops, Inc. had assets with donor restrictions of \$153,942 and \$180,592, 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, 2022 and 2021.

*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, 2022 and 2021.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

**Note 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, 2022 and 2021, the Organization received more than 19,000 volunteer hours, 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, 2022 AND 2021

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

*Adoption of New Accounting Standard*

In February 2016, the FASB established topic 842, Leases, by issuing accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company elected to adopt the new standard effective January 1, 2022, using the additional transition method, which became available under ASU No. 2018-11. Under this method, the Company is able to apply the new standard at the adoption date, and the standard is not required to be implemented for comparative years. As a result, leases are accounted for under the previous leasing standards, ASC 840 for the 2021 comparative year presented in the accompanying financial statements.

*Date of Management Review*

Management has evaluated subsequent events through October 31, 2023, the date the financial statements were available to be issued.

**Note 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.

**Note 3 - Lease Commitments**

*Operating Lease*

The Organization leases office space under an operating lease that expires in May 2024. The Organization also leases office equipment under an operating lease that expires in July 2024. Rent expense for 2022 and 2021, including operating expenses was \$30,563 and \$20,872, respectively. A discount rate of 4.75% and 7.00% was used, respectively, for the two leases, and were management's estimate of their incremental borrowing rate.

The following summarizes the current and long-term portions of the operating lease liability at December 31, 2022:

Current portion of operating lease liability	\$ 19,118
Operating lease liability, net of current portion	<u>8,331</u>
Total operating lease liability	<u><u>\$ 27,449</u></u>

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

**Note 3 - Lease Commitments (Continued)**

The following is the total remaining minimum lease payments for the operating leases:

<u>Year Ending December 31,</u>	
2023	\$ 20,032
2024	8,436
Total lease payments	28,468
Less: interest	(1,019)
Present value of operating lease liability	<u>\$ 27,449</u>

**Note 4 - 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 2022, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

**Note 5 - Notes Receivable**

Beginning in 2015, the Organization began providing loans 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. During the years ended December 31, 2022 and 2021, there was one active loan recipients. The recipient's note receivable balance at December 31, 2022 and 2021 was \$190,000 and \$125,000, respectively.

**Note 6 - Property and Equipment**

Property and equipment consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 15,087	\$ 13,992
Tenant improvements	8,090	8,090
	23,177	22,082
Accumulated depreciation	(21,185)	(20,511)
Equipment, net	<u>\$ 1,992</u>	<u>\$ 1,571</u>

Total depreciation expense for the years ended December 31, 2022 and 2021 was \$672 and \$810, respectively.

TEE IT UP FOR THE TROOPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

**Note 7 - 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.

**Note 8 - Fundraising Expense**

Total fundraising expense for the years ended December 31, 2022 and 2021, was \$248,980 and \$174,803 or 8.4% and 6.5% of the total revenue, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

**Note 9 - Liquidity and Availability of Financial Assets**

The Organization has \$1,379,724 of financial assets available within one year of the statement of financial position date, December 31, 2022, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$1,400,645 and accounts receivable of \$132,571, less assets with donor-imposed restrictions of \$153,942. At December 31, 2021, the Organization had \$1,112,914 of financial assets available within one year, to meet cash needs for general operating expenditures, consisting of cash of \$1,191,010 and accounts receivable of \$102,496, less \$180,592 of assets with donor-imposed restrictions.

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$ 1,533,216	\$ 1,293,506
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	<u>(153,942)</u>	<u>(180,592)</u>
Financial assets available, at year end	<u>\$ 1,379,274</u>	<u>\$ 1,112,914</u>