

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Audited Financial Statements

Year Ended December 31, 2017

(With Summarized Totals for the
Year Ended December 31, 2016)

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Independent Auditors' Report

To the Board of Directors
Milwaukee Tennis & Education Foundation
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Milwaukee Tennis & Education Foundation ("a nonprofit organization"), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, functional expenses 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.

Auditors' 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 from 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 auditors' 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 Organization'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 Organization'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.

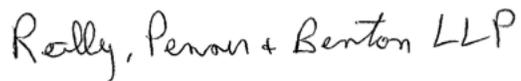
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Tennis & Education Foundation 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.

Report on Summarized Comparative Information

We have previously audited the Milwaukee Tennis & Education Foundation's 2016 financial statements and our report dated August 7, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A rectangular box containing a handwritten signature in cursive script that reads "Rally, Penon + Benton LLP".

June 19, 2018
Milwaukee, Wisconsin

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Statements of Financial Position
December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and equivalents	\$ 92,734	\$ 78,491
Investments at fair value	73,049	72,136
Pledges and accounts receivable	-	1,900
Prepaid expenses	1,000	1,500
Total assets	<u>\$ 166,783</u>	<u>\$ 154,027</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 17,113	\$ 5,764
Net Assets:		
Unrestricted	145,005	148,263
Temporarily restricted	4,665	-
Total net assets	<u>149,670</u>	<u>148,263</u>
Total liabilities and net assets	<u>\$ 166,783</u>	<u>\$ 154,027</u>

The accompanying notes to financial statements
are an integral part of these statements.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Statement of Activities

Year Ended December 31, 2017

With Summarized Information for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total 2017	2016
Revenues:				
Contributions	\$ 134,132	\$ 64,000	\$ 198,132	\$ 115,981
In-kind contributions	67,420	-	67,420	85,000
Special event revenues	109,205	-	109,205	116,857
Special event expenses	(53,836)	-	(53,836)	(45,076)
Investment income	864	-	864	620
Unrealized gain/(loss) on investments	-	-	-	339
Community Learning Center project	-	-	-	313
Registration fees	12,522	-	12,522	8,390
Net assets released from restrictions	59,335	(59,335)	-	-
Total revenues	329,642	4,665	334,307	282,424
Expenses:				
Program related	250,083	-	250,083	205,561
General and administrative	39,051	-	39,051	64,672
Fundraising	43,766	-	43,766	52,027
Total expenses	332,900	-	332,900	322,260
Change In Net Assets	(3,258)	4,665	1,407	(39,836)
Net Assets, Beginning of year	148,263	-	148,263	188,099
Net Assets, End of year	\$ 145,005	\$ 4,665	\$ 149,670	\$ 148,263

The accompanying notes to financial statements
are an integral part of these statements.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Statement of Functional Expenses

Year Ended December 31, 2017

With Summarized Information for the Year Ended December 31, 2016

	<u>Program Related Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total 2017</u>	<u>2016</u>
Expenses:					
Salaries & wages	\$ 156,215	\$ 10,375	\$ 24,000	\$ 190,590	\$ 138,097
Payroll taxes	11,844	896	1,836	14,576	10,564
Professional fees	-	7,483	-	7,483	27,550
Supplies	9,568	2,348	-	11,916	6,910
Postage	20	47	373	440	1,181
Printing & publications	-	54	7,064	7,118	8,618
Payroll fees	-	852	-	852	5,078
Travel	230	-	-	230	1,571
Meals & entertainment	4,152	681	-	4,833	2,630
Telephone	-	1,780	-	1,780	3,079
Bank / credit card fees	-	7,488	-	7,488	8,104
Photography	-	-	200	200	6,925
Insurance	267	4,587	-	4,854	3,907
Computer and internet	-	660	-	660	3,402
Storage	-	1,800	-	1,800	1,425
Curriculum	501	-	-	501	-
Court time	5,078	-	-	5,078	4,905
T-shirts / uniforms	958	-	-	958	1,159
Tournament	872	-	-	872	-
USTA registration fees	1,953	-	-	1,953	982
In-kind contributions	57,420	-	10,000	67,420	85,000
Miscellaneous	1,005	-	293	1,298	1,173
Total functional expenses	\$ 250,083	\$ 39,051	\$ 43,766	\$ 332,900	\$ 322,260

The accompanying notes to financial statements
are an integral part of these statements.

MILWAUKEE TENNIS & EDUCATION FOUNDATION

Milwaukee, Wisconsin

Statements of Cash Flows
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,407	\$ (39,836)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Realized and unrealized loss on investments	(913)	(896)
Change in other assets and liabilities:		
Receivables	1,900	1,100
Prepaid expenses	500	(35)
Accounts payable	11,349	(3,652)
Net cash provided (used) by operating activities:	<u>12,836</u>	<u>(3,483)</u>
Net increase (decrease) in cash and equivalents	14,243	(43,319)
Cash and Equivalents, Beginning of Year	<u>78,491</u>	<u>121,810</u>
Cash and Equivalents, End of Year	<u>\$ 92,734</u>	<u>\$ 78,491</u>

The accompanying notes to financial statements
are an integral part of these statements.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2017 and 2016

1. Nature of Organization

The mission of Milwaukee Tennis & Education Foundation, a nonprofit organization, is to promote tennis and education in Wisconsin, particularly among at-risk youth in the inner City of Milwaukee. The Organization's main source of revenue is donations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Milwaukee Tennis & Education Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to classes of net assets as follows:

Unrestricted net assets – Unrestricted net assets include unrestricted resources available for the Organization's operations.

Temporarily restricted net assets – Temporarily restricted net assets include resources which are restricted by the donor. Restrictions are satisfied either by the passage of time or by actions of the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at December 31, 2017.

Cash and Equivalents

The Organization considers all checking, savings, and money market accounts to be cash equivalents, excluding amounts whose use is limited or restricted.

Accounts, Grants and Pledges Receivable

Accounts, grants, and pledges receivable are considered fully collectible, therefore no allowance for doubtful accounts is considered necessary. All receivables are due within one year of the financial statement date and valued at contract value.

Revenue Recognition

Under accounting principles generally accepted in the United States of America ("U.S. GAAP"), contributions are recognized as revenues when they are received or unconditionally pledged.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Investments

Under U.S. GAAP, investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change of net assets.

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and expand disclosures about fair value measurements. This clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. It emphasizes that fair value is a market-based measurement and not an entity-specific measurement. Adoption of this standard has not had a material impact on the Organization's financial statements. Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs, which are summarized as follows:

Level 1 – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

The asset or liability's fair value measurement level within 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Mutual funds: Valued at net asset value of shares held by the Organization at year-end.

Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Allocation of Functional Expenses

Costs have been detailed by function on the statement of activities. Certain costs have been allocated among the functions based upon estimated use of those costs.

Total Columns

Total columns on the financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Milwaukee Tennis & Education Foundation is a nonprofit organization which is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

The Organization has implemented accounting for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America. This standard describes a recognition threshold and measurement attributable for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of the Organization evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. The Organization recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

Donated Materials and Services

Donated equipment, services, and materials are recorded at the estimated market value and consist of the following:

	<u>2017</u>	<u>2016</u>
Court time	\$ 26,000	\$ 25,000
Classroom time	3,000	5,000
Administrative support	20,000	43,000
Tennis supplies	5,700	5,700
Volunteers	4,000	6,300
Special event revenue / expense	3,000	2,000
Sporting event tickets	7,520	-
Other in-kind contributions	1,200	-
Total	<u>\$ 70,420</u>	<u>\$ 87,000</u>

Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, June 19, 2018. There were no subsequent events that required recognition or disclosure.

3. Investments

The following summarizes the investments by classification and method of valuation in accordance with the requirements of U.S. GAAP for the year ended December 31, 2017:

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual Funds:			
Short-term income	\$ <u>73,049</u>	\$ <u>73,049</u>	\$ <u>-</u>

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

3. Investments (Continued)

The following summarizes the investments by classification and method of valuation in accordance with the requirements of U.S. GAAP for the year ended December 31, 2016:

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual Funds:			
Short-term income	\$ <u>72,136</u>	\$ <u>72,136</u>	\$ <u>-</u>

4. Concentrations

The Organization maintains its cash balance in Milwaukee area financial institutions. The Organization's combined deposits at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the Organization's deposits may exceed the insured limits.

The Organization receives grants and contributions from various private agencies. For the years ended December 31, 2017 and 2016, approximately 17% and 25% of the Organization's revenue was derived from the Tennis Ball fundraising event, respectively. For the years ended December 31, 2017 and 2016, approximately 19% and 11% of the Organization's revenue was derived from grants from one donor, respectively.

5. Lease Commitment

The Organization currently has a lease agreement with the Mary Ryan Branch of the Boys & Girls Clubs of Greater Milwaukee. The lease agreement is at will and will remain in effect until modified or terminated by any one of the partners by mutual consent. Under the agreement, the Organization has access to office space, a gymnasium, six outdoor tennis courts, two classrooms, and a computer lab. For the year ended December 31, 2017 the Organization paid \$1,800 for rent under this agreement. The Organization did not pay for rent for the year ended December 31, 2016.

6. Related-Party Transactions

The Organization occasionally does business with a company that is managed by a board member. The Organization purchases court time from the company. The Organization also purchases tennis equipment from the board member's company. Total transactions with these companies were \$3,360 and \$3,040 for the years ended December 31, 2017 and 2016, respectively.