

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Audited Financial Statements

Year Ended December 31, 2018

(With Summarized Totals for the
Year Ended December 31, 2017)

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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, 2018, 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, 2018, 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 2017 financial statements and our report dated June 19, 2018 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, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Reilly, Pennau & Benton LLP

July 10, 2019
Milwaukee, Wisconsin

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Statements of Financial Position
December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and equivalents	\$ 64,562	\$ 92,734
Investments at fair value	48,941	73,049
Prepaid expenses	1,500	1,000
Total assets	<u><u>\$ 115,003</u></u>	<u><u>\$ 166,783</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,592	\$ 17,113
Net Assets:		
Without donor restriction	104,411	145,005
With donor restriction	<u>-</u>	<u>4,665</u>
Total net assets	<u>104,411</u>	<u>149,670</u>
Total liabilities and net assets	<u><u>\$ 115,003</u></u>	<u><u>\$ 166,783</u></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, 2018

With Summarized Information for the Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total 2018	2017
Revenues:				
Contributions	\$ 163,214	\$ -	\$ 163,214	\$ 198,132
In-kind contributions	65,757	-	65,757	67,420
Special event revenues	93,698	-	93,698	109,205
Special event expenses	(54,653)	-	(54,653)	(53,836)
Investment income	1,160	-	1,160	864
Unrealized gain/(loss) on investments	(229)	-	(229)	-
Registration fees	9,795	-	9,795	12,522
Miscellaneous income	75	-	75	-
Net assets released from restrictions	4,665	(4,665)	-	-
Total revenues	283,482	(4,665)	278,817	334,307
Expenses:				
Program related	243,885	-	243,885	250,083
General and administrative	38,406	-	38,406	39,051
Fundraising	41,785	-	41,785	43,766
Total expenses	324,076	-	324,076	332,900
Change In Net Assets	(40,594)	(4,665)	(45,259)	1,407
Net Assets, Beginning of year	145,005	4,665	149,670	148,263
Net Assets, End of year	\$ 104,411	\$ -	\$ 104,411	\$ 149,670

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, 2018

With Summarized Information for the Year Ended December 31, 2017

	<u>Program Related Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total 2018</u>	<u>2017</u>
Expenses:					
Salaries & wages	\$ 158,569	\$ 10,500	\$ 24,000	\$ 193,069	\$ 190,590
Payroll taxes	12,131	770	1,836	14,737	14,576
Professional fees	-	9,600	-	9,600	7,483
Supplies	3,777	948	-	4,725	11,916
Postage	50	171	738	959	440
Printing & publications	-	74	7,162	7,236	7,118
Payroll fees	-	434	-	434	852
Travel	1,169	-	-	1,169	230
Meals & entertainment	2,679	635	-	3,314	4,833
Telephone	-	1,542	-	1,542	1,780
Bank / credit card fees	-	5,597	-	5,597	7,488
Photography	-	-	-	-	200
Insurance	161	5,166	-	5,327	4,854
Computer and internet	-	660	-	660	660
Storage	-	1,800	-	1,800	1,800
Curriculum	746	-	-	746	501
Court time	3,903	-	-	3,903	5,078
T-shirts / uniforms	1,719	-	-	1,719	958
Tournament	224	-	-	224	872
USTA registration fees	678	-	-	678	1,953
In-kind contributions	57,757	-	8,000	65,757	67,420
Miscellaneous	322	509	49	880	1,298
Total functional expenses	\$ 243,885	\$ 38,406	\$ 41,785	\$ 324,076	\$ 332,900

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (45,259)	\$ 1,407
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Realized and unrealized loss on investments	(907)	(913)
Change in other assets and liabilities:		
Receivables	-	1,900
Prepaid expenses	(500)	500
Accounts payable	(6,521)	11,349
Net cash provided (used) by operating activities:	<u>(7,928)</u>	<u>12,836</u>
Net cash provided (used) by operations	(53,187)	14,243
Cash Flows From Investing Activities:		
Sale (purchases) of investments, net	<u>25,015</u>	<u>-</u>
Net cash provided by investing activities	25,015	-
Net increase (decrease) in cash and equivalents	(28,172)	14,243
Cash and Equivalents, Beginning of Year	<u>92,734</u>	<u>78,491</u>
Cash and Equivalents, End of Year	<u>\$ 64,562</u>	<u>\$ 92,734</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, 2018 and 2017

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

Financial statement presentation follows accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under these principles, the Organization is required to report information regarding its financial position and activities according to classes of net assets as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment fund.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by donor.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

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, 2018 and 2017
(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, 2018.

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.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2018 and 2017
(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>2018</u>	<u>2017</u>
Court time	\$ 26,737	\$ 26,000
Classroom time	1,600	3,000
Administrative support	18,000	20,000
Tennis supplies	3,700	5,700
Volunteers	5,000	4,000
Special event revenue / expense	-	3,000
Sporting event tickets	9,520	7,520
Other in-kind contributions	1,200	1,200
Total	<u>\$ 65,757</u>	<u>\$ 70,420</u>

Subsequent Events

Management has evaluated all subsequent events through July 10, 2019 for possible inclusion as a disclosure in the notes to the financial statements. There were no subsequent events that required recognition of disclosure.

Change in Accounting Principle

On August 18, 2016 Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
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Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

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, 2018:

<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>48,942</u>	\$ <u>48,942</u>	\$ <u>-</u>	\$ <u>-</u>

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>	\$ <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, 2018 and 2017, approximately 14% and 17% of the Organization's revenue was derived from the Tennis Ball fundraising event, respectively. For the years ended December 31, 2018 and 2017, approximately 10% and 19% 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. The Organization paid \$1,800 for rent under this agreement for the years ended December 31, 2018 and 2017.

6. Related-Party Transactions

The Organization occasionally does business with a company that is managed by a board member. The Organization purchases court time and tennis equipment from the board member's company. Total transactions with these companies were \$0 and \$3,360 for the years ended December 31, 2018 and 2017, respectively.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of balance sheet date, comprise of the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 64,562	\$ 92,734
Investments at fair value	48,942	73,049
Total financial assets	<u>113,504</u>	<u>165,783</u>
Less amounts not available to be used within one year for general expenditures:		
Restricted by donor with time or purpose restrictions	-	(4,665)
Financial assets available to meet general expenditures within one year	<u>\$ 115,004</u>	<u>\$ 162,118</u>