

**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Audited Financial Statements**

Year Ended December 31, 2019

(With Summarized Totals for the  
Year Ended December 31, 2018)

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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, 2019, 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, 2019, 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 2018 financial statements and our report dated July 10, 2019 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, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 30, 2020  
Milwaukee, Wisconsin

**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Statements of Financial Position**  
December 31, 2019 and 2018

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash and equivalents	\$ 180,836	\$ 64,562
Investments at fair value	50,574	48,941
Pledges and accounts receivable	275	-
Prepaid expenses	-	1,500
<b>Total assets</b>	<b>\$ <u>231,685</u></b>	<b>\$ <u>115,003</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 12,278	\$ 10,592
<b>Net Assets:</b>		
Without donor restriction	219,132	104,411
With donor restriction	275	-
<b>Total net assets</b>	<b><u>219,407</u></b>	<b><u>104,411</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>231,685</u></b>	<b>\$ <u>115,003</u></b>

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, 2019

With Summarized Information for the Year Ended December 31, 2018

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total 2019</b>	<b>2018</b>
<b>Revenues:</b>				
Contributions	\$ 192,493	\$ 275	\$ 192,768	\$ 163,214
In-kind contributions	93,641	-	93,641	65,757
Special event revenues	119,700	-	119,700	93,698
Less: Direct benefit to donor	(37,463)	-	(37,463)	(28,734)
Investment income	1,081	-	1,081	1,160
Unrealized gain/(loss) on investments	582	-	582	(229)
Community Learning Center project	1,380	-	1,380	-
Registration fees	10,461	-	10,461	9,795
Miscellaneous income	34	-	34	75
<b>Total revenues</b>	<b>381,909</b>	<b>275</b>	<b>382,184</b>	<b>304,736</b>
<b>Expenses:</b>				
Program related	201,279	-	201,279	243,885
General and administrative	39,454	-	39,454	38,406
Fundraising	26,455	-	26,455	67,704
<b>Total expenses</b>	<b>267,188</b>	<b>-</b>	<b>267,188</b>	<b>349,995</b>
<b>Change In Net Assets</b>	<b>114,721</b>	<b>275</b>	<b>114,996</b>	<b>(45,259)</b>
<b>Net Assets, Beginning of year</b>	<b>104,411</b>	<b>-</b>	<b>104,411</b>	<b>149,670</b>
<b>Net Assets, End of year</b>	<b>\$ 219,132</b>	<b>\$ 275</b>	<b>\$ 219,407</b>	<b>\$ 104,411</b>

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, 2019

With Summarized Information for the Year Ended December 31, 2018

	<u>Program Related Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total 2019</u>	<u>2018</u>
<b>Expenses:</b>						
Salaries & wages	\$ 84,646	\$ 10,063	\$ 175	\$ -	\$ 94,884	\$ 193,069
Payroll taxes	6,497	736	-	-	7,233	14,737
Professional fees	9,067	9,756	5,624	-	24,447	9,600
Supplies	6,368	1,456	55	-	7,879	4,725
Postage	55	61	109	-	225	959
Printing & publications	-	64	4,088	-	4,152	7,236
Payroll fees	-	292	-	-	292	434
Travel	240	44	-	-	284	1,169
Meals & entertainment	789	1,373	-	37,463	39,625	32,048
Telephone	-	1,653	-	-	1,653	1,542
Bank / credit card fees	-	7,736	-	-	7,736	5,597
Photography	-	-	300	-	300	-
Insurance	431	3,266	-	-	3,697	5,327
Computer and internet	-	960	-	-	960	660
Special event expenses	-	-	7,289	-	7,289	25,919
Storage	-	1,800	-	-	1,800	1,800
Curriculum	205	-	-	-	205	746
Court time	3,926	-	-	-	3,926	3,903
T-shirts / uniforms	1,440	-	-	-	1,440	1,719
Tournament	310	-	-	-	310	224
USTA registration fees	611	-	-	-	611	678
In-kind contributions	85,641	-	8,000	-	93,641	65,757
Miscellaneous	1,053	194	815	-	2,062	880
<b>Total functional expenses</b>	<u>\$ 201,279</u>	<u>\$ 39,454</u>	<u>\$ 26,455</u>	<u>\$ 37,463</u>	<u>\$ 304,651</u>	<u>\$ 378,729</u>
<b>Less expenses included with revenues on the statement of activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,463)</u>	<u>(37,463)</u>	<u>(28,734)</u>
<b>Total expenses included in the expense section of the statement of activities</b>	<u>201,279</u>	<u>39,454</u>	<u>26,455</u>	<u>-</u>	<u>267,188</u>	<u>349,995</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 114,996	\$ (45,259)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized loss on investments	(582)	(907)
Change in other assets and liabilities:		
Receivables	(275)	-
Prepaid expenses	1,500	(500)
Accounts payable	1,686	(6,521)
<b>Net cash provided (used) by operating activities:</b>	<u>2,329</u>	<u>(7,928)</u>
Net cash provided (used) by operations	117,325	(53,187)
<b>Cash Flows From Investing Activities:</b>		
Sale of investments, net	-	25,015
Purchase of investments, net	(1,051)	-
Net cash provided by investing activities	<u>(1,051)</u>	<u>25,015</u>
<b>Net increase (decrease) in cash and equivalents</b>	116,274	(28,172)
<b>Cash and Equivalents, Beginning of Year</b>	<u>64,562</u>	<u>92,734</u>
<b>Cash and Equivalents, End of Year</b>	<u>\$ 180,836</u>	<u>\$ 64,562</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, 2019 and 2018  
(Continued)

**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.

**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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization does not have any restrictions that are required to be held in perpetuity.

**Cash and Equivalents**

The Organization considers all checking, savings, and money market accounts to be cash equivalents.

**Revenue Recognition**

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

Revenue from performance obligations satisfied at a point in time consists of the following:

- **Registration fees and Community Learning Center Project** – recognized as performance obligations are met



**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Notes to the Financial Statements**  
December 31, 2019 and 2018  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition (Continued)**

Revenue from non-exchange transactions consist of the following:

- **Contributions of cash and promises to give** - received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

**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, 2019.

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

**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Notes to the Financial Statements**  
December 31, 2019 and 2018  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**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**

The costs of program and supporting services activities have been summarized on the functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, salaries and related expenses are allocated to functional activities based on the time spent in each area. Expenses specifically identifiable with an activity are charged to that activity. Other expenses not specifically identifiable with functions are allocated to functional activities using percentages based on actual experience.

**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>2019</u>	<u>2018</u>
Court time	\$ 20,500	\$ 26,737
Classroom time	-	1,600
Administrative support	50,000	18,000
Tennis supplies	555	3,700
Volunteers	8,130	5,000
Special event revenue / expense	950	-
Sporting event tickets	4,506	9,520
Other in-kind contributions	9,000	1,200
<b>Total</b>	<u>\$ 93,641</u>	<u>\$ 65,757</u>

**Subsequent Events**

Management has evaluated all subsequent events through April 30, 2020 for possible inclusion as a disclosure in the notes to the financial statements. There were no subsequent events that required recognition of disclosure other than the subsequent event in Note 9.

**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Notes to the Financial Statements**  
December 31, 2019 and 2018  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Change in Accounting Principle**

Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08 - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under the full prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

**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, 2019:

<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>50,574</u>	\$ <u>50,574</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, 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>48,941</u>	\$ <u>48,941</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, 2019 and 2018, approximately 20% and 14% of the Organization's revenue was derived from the Tennis Ball fundraising event, respectively. For the years ended December 31, 2019 and 2018, approximately 8% and 10% of the Organization's revenue was derived from grants from one donor, respectively.

**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Notes to the Financial Statements**  
December 31, 2019 and 2018  
(Continued)

**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, 2019 and 2018.

**6. 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>2019</u>	<u>2018</u>
Cash and equivalents	\$ 180,836	\$ 64,562
Pledges and accounts receivable	275	-
Investments at fair value	<u>50,574</u>	<u>48,941</u>
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ <u>231,685</u></b>	<b>\$ <u>113,003</u></b>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash for the years ended December 31, 2019 and 2018.

**7. Net Assets with Donor Restriction**

Net assets with donor restriction consist of the following at December 31, 2019:

**Subject to passage of time**

Time restricted for use in future periods	<u>275</u>
<b>Total net assets with donor restriction</b>	<b>\$ <u>275</u></b>

Net assets with donor restriction consist of the following at December 31, 2018:

**Subject to passage of time**

Time restricted for use in future periods	<u>-</u>
<b>Total net assets with donor restriction</b>	<b>\$ <u>-</u></b>

**MILWAUKEE TENNIS & EDUCATION FOUNDATION**  
Milwaukee, Wisconsin

**Notes to the Financial Statements**  
December 31, 2019 and 2018  
(Continued)

**8. Revenue**

Revenue, disaggregated by type, consists of the following for the year ended December 31, 2019:

<b>Exchange:</b>	
Community Learning Center project	\$ 1,380
Registration fees	10,461
<b>Total exchange revenue</b>	11,841
<b>Non-exchange:</b>	
Contributions	192,768
Miscellaneous income	34
<b>Total non-exchange</b>	192,802
<b>In-kind revenue</b>	93,641
<b>Special events, net</b>	82,237
<b>Investment income, net</b>	1,663
<b>Total revenue</b>	\$ 382,184

Revenue, disaggregated by type, consists of the following for the year ended December 31, 2018:

<b>Exchange:</b>	
Community Learning Center project	\$ -
Registration fees	9,795
<b>Total exchange revenue</b>	9,795
<b>Non-exchange:</b>	
Contributions	163,214
Miscellaneous income	75
<b>Total non-exchange</b>	163,289
<b>In-kind revenue</b>	65,757
<b>Special events, net</b>	64,964
<b>Investment income, net</b>	931
<b>Total revenue</b>	\$ 304,736

**9. Other Subsequent Events**

The COVID-19 outbreak in the United States has caused business disruption through the state mandated "Safer at Home" order. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the order. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.