

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Audited Financial Statements

Year Ended December 31, 2020

(With Summarized Totals for the
Year Ended December 31, 2019)

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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, 2020, 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, 2020, 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 2019 financial statements and our report dated April 30, 2020 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 13, 2021
Milwaukee, Wisconsin

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Statements of Financial Position
December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and equivalents	\$ 281,610	\$ 180,836
Investments	51,806	50,574
Pledges and accounts receivable	-	275
Prepaid expenses	3,416	-
Total assets	<u>\$ 336,832</u>	<u>\$ 231,685</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 27,787	\$ 12,278
Net Assets:		
Without donor restriction	292,396	219,132
With donor restriction	16,649	275
Total net assets	<u>309,045</u>	<u>219,407</u>
Total liabilities and net assets	<u>\$ 336,832</u>	<u>\$ 231,685</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, 2020

With Summarized Information for the Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total 2020	2019
Revenues:				
Contributions	\$ 234,700	\$ 25,000	\$ 259,700	\$ 192,768
In-kind contributions	47,700	-	47,700	93,641
Special event revenues	-	-	-	119,700
Less: Direct benefit to donor	-	-	-	(37,463)
Investment income	896	-	896	1,081
Unrealized gain/(loss) on investments	422	-	422	582
Community Learning Center project	-	-	-	1,380
Registration fees	7,257	-	7,257	10,461
Contribution - PPP	24,680	-	24,680	-
Miscellaneous income	858	-	858	34
Net assets released from restrictions	275	(275)	-	-
Total revenues	316,788	24,725	341,513	382,184
Expenses:				
Program related	161,908	8,351	170,259	201,279
General and administrative	43,161	-	43,161	39,454
Fundraising	38,455	-	38,455	26,455
Total expenses	243,524	8,351	251,875	267,188
Change In Net Assets	73,264	16,374	89,638	114,996
Net Assets, Beginning of year	219,132	275	219,407	104,411
Net Assets, End of year	\$ 292,396	\$ 16,649	\$ 309,045	\$ 219,407

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, 2020
With Summarized Information for the Year Ended December 31, 2019

	Program Related Expenses	General and Administrative Expenses	Fundraising Expenses	Total 2020	2019
Expenses:					
Salaries & wages	\$ 100,368	\$ 23,819	\$ 25,636	\$ 149,823	\$ 94,884
Payroll taxes	5,986	1,511	1,529	9,026	7,233
Professional fees	-	10,153	-	10,153	24,447
Professional development	-	140	-	140	-
Supplies	5,118	63	181	5,362	7,879
Postage	-	448	-	448	225
Printing & publications	-	215	3,109	3,324	4,152
Payroll fees	-	-	-	-	292
Travel	-	195	-	195	284
Meals & entertainment	-	-	-	-	39,625
Telephone	-	-	-	-	1,653
Bank / credit card fees	-	1,398	-	1,398	7,736
Photography	-	-	-	-	300
Insurance	-	2,590	-	2,590	3,697
Computer and internet	-	2,629	-	2,629	960
Special event expenses	-	-	-	-	7,289
Storage	-	-	-	-	1,800
Curriculum	6,923	-	-	6,923	205
Court time	3,813	-	-	3,813	3,926
Scholarships	8,351	-	-	8,351	-
T-shirts / uniforms	-	-	-	-	1,440
Tournament	-	-	-	-	310
USTA registration fees	-	-	-	-	611
In-kind contributions	39,700	-	8,000	47,700	93,641
Miscellaneous	-	-	-	-	2,062
Total functional expenses	\$ 170,259	\$ 43,161	\$ 38,455	\$ 251,875	\$ 304,651
Less expenses included with revenues on the statement of activities	-	-	-	-	(37,463)
Total expenses included in the expense section of the statement of activities	170,259	43,161	38,455	251,875	267,188

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 89,638	\$ 114,996
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized loss on investments	(422)	(582)
Change in other assets and liabilities:		
Receivables	275	(275)
Prepaid expenses	(3,416)	1,500
Accounts payable	15,509	1,686
Net cash provided by operating activities:	<u>11,946</u>	<u>2,329</u>
Net cash provided by operations	101,584	117,325
Cash Flows From Investing Activities:		
Purchase of investments, net	<u>(810)</u>	<u>(1,051)</u>
Net cash (used) by investing activities	<u>(810)</u>	<u>(1,051)</u>
Net increase in cash and equivalents	100,774	116,274
Cash and Equivalents, Beginning of Year	<u>180,836</u>	<u>64,562</u>
Cash and Equivalents, End of Year	<u>\$ 281,610</u>	<u>\$ 180,836</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, 2020 and 2019

1. Nature of Organization

The mission of Milwaukee Tennis & Education Foundation (“the Organization”), a nonprofit organization, is to improve the lives and futures of Milwaukee’s youth through tennis, education and mentoring. 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 and 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, 2020 and 2019
(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.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

- **Special event revenue** – The direct benefit to donors is recognized as revenue as an exchange transaction, while the remaining is recognized as a non-exchange contribution.

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.

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Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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, 2020.

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

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>2020</u>	<u>2019</u>
Court time	\$ 8,100	\$ 20,500
Administrative support	20,000	50,000
Tennis supplies	4,900	555
Volunteers	3,000	8,130
Special event revenue / expense	-	950
Sporting event tickets	-	4,506
Other in-kind contributions	11,700	9,000
Total	<u>\$ 47,700</u>	<u>\$ 93,641</u>

MILWAUKEE TENNIS & EDUCATION FOUNDATION
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated all subsequent events through May 13, 2021 for possible inclusion as a disclosure in the notes to the financial statements. There were no additional subsequent events other than those mentioned in Note 9 that require 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, 2020:

<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>51,806</u>	\$ <u>51,806</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, 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>

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, 2020 and 2019, approximately 0% and 20% of the Organization's revenue was derived from the Tennis Ball fundraising event, respectively. For the years ended December 31, 2020 and 2019, approximately 14% and 8% 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, 2020 and 2019.

MILWAUKEE TENNIS & EDUCATION FOUNDATION
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Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

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>2020</u>	<u>2019</u>
Cash and equivalents	\$ 281,610	\$ 180,836
Pledges and accounts receivable	-	275
Investments at fair value	<u>51,806</u>	<u>50,574</u>
Total financial assets	333,416	231,685
Less amounts not available to be used within one year for general expenditures and other contractual obligations:		
Net assets with donor restrictions	<u>(16,649)</u>	<u>(275)</u>
Financial assets available to meet general expenditures within one year	\$ <u>316,767</u>	\$ <u>231,410</u>

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, 2020 and 2019.

7. Net Assets with Donor Restriction

Net assets with donor restriction consist of the following at December 31, 2020:

Subject to expenditure for specified purpose:	
Scholarships	\$ <u>16,649</u>
Total net assets with donor restriction	\$ <u>16,649</u>

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>
Total net assets with donor restriction	\$ <u>275</u>

MILWAUKEE TENNIS & EDUCATION FOUNDATION
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Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

8. Revenue

Revenue, disaggregated by type, consists of the following for the year ended December 31, 2020:

Exchange:	
Registration fees	\$ <u>7,257</u>
Total exchange revenue	<u>7,257</u>
Non-exchange:	
Contributions	259,700
Contribution - PPP	24,680
Miscellaneous income	<u>858</u>
Total non-exchange	<u>285,238</u>
In-kind revenue	47,700
Investment income, net	<u>1,318</u>
Total revenue	<u>\$ 341,513</u>

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

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

9. Paycheck Protection Program

During the year ended December 31, 2020, the Organization received loan proceeds in the amount of \$24,680 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The Organization expects to meet the PPP's eligibility criteria and therefore, has concluded the PPP loan represents, in substance, a grant that is expected to be forgiven. As a result, the Organization has accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the year-ended December 31, 2020, the Organization has used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP loan amount as contribution revenue in the accompanying financial statements. In April 2021, the PPP loan was officially forgiven by the Small Business Administration.

Subsequent to year end, the Organization received a second PPP loan of \$31,212. These funds must be used on payroll, benefits, rent and utilities. If forgiven, these funds would be recorded as revenue during the year ended December 31, 2021.