

BUDDY UP TENNIS, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2020



BUDDY UP TENNIS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Buddy Up Tennis, Inc.
New Albany, Ohio

We have audited the accompanying financial statements of Buddy Up Tennis, Inc. (a non-profit corporation), which comprise the statement of financial position as of March 31, 2020, and the related statement of activities and change in net assets and cash flows for the period January 1, 2019 through March 31, 2020, 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.

Auditor's 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 Buddy Up Tennis, Inc. as of March 31, 2020, and the results of its change in net assets and its cash flows for the period January 1, 2019 through March 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Buddy Up Tennis, Inc. adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue with Contracts with Customers* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective January 1, 2019. Our opinion is not modified with respect to this matter.

Tidwell Group, LLC

Columbus, Ohio
June 24, 2020

BUDDY UP TENNIS, INC.
STATEMENT OF FINANCIAL POSITION
March 31, 2020

ASSETS

Current Assets

Cash	\$ 217,290
Accounts receivable	3,183
Prepaid expenses	<u>6,229</u>

Total Assets	<u><u>\$ 226,702</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued liabilities	<u>\$ 44,937</u>
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Total Liabilities	44,937
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Net Assets

Without donor restrictions	<u>181,765</u>
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Total Liabilities and Net Assets	<u><u>\$ 226,702</u></u>
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See notes to the financial statements.

BUDDY UP TENNIS, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Period January 1, 2019 through March 31, 2020

Revenue

Fundraising revenue	\$ 744,970
Grant revenue	10,035
Program revenue	144,362
Donation revenue	94,387
Total Revenue	<u>993,754</u>

Program Service Expenses

Coaches	42,825
Courts and club fees	61,445
Equipment	8,000
Payroll	21,923
Travel	45,529
Other program expenses	66,267
	<u>245,989</u>

General and Fundraising Expenses

Fundraising	510,605
Payroll	34,482
Office supplies	6,862
Advertising and promotions	26,338
Professional services	39,702
Insurance	553
Miscellaneous	34,554
	<u>653,096</u>

Total Expenses	<u>899,085</u>
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Change in Net Assets	94,669
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Net Assets - Beginning of Period	<u>87,096</u>
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Net Assets - End of Period	<u><u>\$ 181,765</u></u>
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See notes to the financial statements.

BUDDY UP TENNIS, INC.

STATEMENT OF CASH FLOWS

Period January 1, 2019 through March 31, 2020

Cash Flows from Operating Activities

Change in Net Assets	\$ 94,669
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**Adjustments to Reconcile Change in Net Assets
to Net Cash From Operating Activities:**

Decrease (Increase) in Assets:

Accounts receivable	552
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Prepaid expenses	1,120
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Increase (Decrease) in Liabilities:

Accounts payable and accrued liabilities	6,095
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Deferred revenue	(23,837)
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Net Cash From Operating Activities	<u>78,599</u>
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Net Change in Cash	78,599
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Cash - Beginning of Period	<u>138,691</u>
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Cash - End of Period	<u><u>\$ 217,290</u></u>
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See notes to the financial statements.

BUDDY UP TENNIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

Period January 1, 2019 through March 31, 2020

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Buddy Up Tennis, Inc. (the Organization) was organized as a non-profit corporation on August 21, 2009 under the laws of the State of Ohio. The Organization was formed for the purpose of providing individuals with Down syndrome the opportunity to learn and play tennis in a structured program with the assistance of role models and to engage in other fitness, wellness, and social activities. The Organization hosts tennis and fitness clinics and fitness camps in various locations across the United States of America.

The Organization's primary sources of revenue are fundraising activities, grants received from non-federal agencies, program service fees, and contributions from donors.

The Organization elected to change its fiscal year end from December 31 to March 31 beginning with the period ended March 31, 2020.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Adoption of a New Accounting Principles

During 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue with Contracts with Customers*. The purpose of ASU 2014-09 is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The core principle is depicted in five key steps. ASU 2014-09 is effective for annual periods beginning after December 15, 2018 and is to be applied retrospectively to all periods presented. The Organization adopted ASU 2014-09 effective January 1, 2019. Adoption of ASU 2014-09 did not result in any reclassification or restatements to net assets or change in net assets.

During 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 was issued to assist organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as an exchange (reciprocal) transaction and (2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 effective January 1, 2019. The implementation of the change in revenue recognition for the ASU 2018-08 was not significant to the financial statements.

BUDDY UP TENNIS, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Period January 1, 2019 through March 31, 2020

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and change in net assets are classified and reported as follows:

Without Donor Restrictions - Net assets available for use in general operation and not subject to donor restrictions. All of the Organization's net assets are without donor restrictions.

With Donor Restrictions - Net assets subject to donor-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 the 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.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as without donor restrictions or with donor restrictions support, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

BUDDY UP TENNIS, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Period January 1, 2019 through March 31, 2020

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant awards that are contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances.

B. Grant awards that are exchange transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents includes petty cash, demand deposits, and savings accounts.

Accounts Receivable

Program service fees are due at the time of enrollment in the program. Accounts receivable consists of amounts due for program services. The Organization does not accrue interest on accounts receivable balances.

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon periodic review of accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. There were no bad debts expensed during the period January 1, 2019 through March 31, 2020.

BUDDY UP TENNIS, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Period January 1, 2019 through March 31, 2020

Contributed Services

Donated services are measured at fair values as determined by management in the statement of activities and change in net assets as revenue and expenses in the period they are received. During the period January 1, 2019 through March 31, 2020, the Organization received contributed professional services with a fair value on the dates of donation of \$31,250. In addition, the Organization received contributions of nonprofessional volunteer services during the year for approximately 785 volunteers to assist with program and fundraising activities. The nonprofessional volunteer services are not reported in the statement of activities and change in net assets.

Advertising Costs

The Organization's policy is to expense advertising costs when incurred.

Income Taxes

The Organization applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code, except for income derived from unrelated business activities, as defined in the Code. There was no income tax expense for the period January 1, 2019 through March 31, 2020.

The Organization is required to and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Generally, income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2016 remain open.

Functional Expenses and Cost Allocation

The cost of providing the various programs and other activities has been summarized on a functional basis in the notes to the financial statements. Administrative 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.

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs, which cannot be readily identified with a final cost objective.

BUDDY UP TENNIS, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Period January 1, 2019 through March 31, 2020

Estimates

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

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization has executed a License Agreement with Adaptive Tennis Consulting, LLC for usage of the Buddy Up Tennis, Inc. trademark and certain logos. Adaptive Tennis Consulting, LLC is owned by the Executive Director of the Organization. The license agreement was executed during 2014 and runs for an initial term of 5 years, renewing automatically for successive five year terms unless otherwise terminated. There were no fees charged to Buddy Up Tennis, Inc. related to the license agreement during the period January 1, 2019 through March 31, 2020.

NOTE 4 - CONCENTRATIONS

Credit Risk

The Organization maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fundraising

The Organization receives a substantial portion of its revenues from two fundraising efforts. During the period January 1, 2019 through March 31, 2020, the Organization received 89% of its fundraising revenue from these two sources.

NOTE 5 - FUNCTIONAL EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and change in net assts. Administrative 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.

BUDDY UP TENNIS, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Period January 1, 2019 through March 31, 2020

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This amount consists of cash and accounts receivable as presented on the accompanying statements of financial position. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization maintains financial assets on hand to meet normal operating expenses.

NOTE 7 - SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management has evaluated the activity of Buddy Up Tennis, Inc. through June 24, 2020 (the date the financial statements were available to be issued) and concluded that one subsequent event has occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statement.

Uncertainty related to COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations. Future potential impacts may include reduced contributions and increased operating costs. Additional impacts may include reduced program fees caused by the Organization's inability to conduct its tennis and fitness clinics. The future effects of these issues are unknown. In May 2020, the Organization received a Paycheck Protection Program loan for \$8,582 which is management believes will be forgiven in full.