

Johnny Mac Tennis Project Inc.

Financial Statements

August 31, 2022 and 2021

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Independent Auditors' Report

Board of Directors
Johnny Mac Tennis Project Inc.

Opinion

We have audited the accompanying financial statements of Johnny Mac Tennis Project Inc., which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and change in total net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnny Mac Tennis Project Inc. as of August 31, 2022 and 2021, and its changes in its total net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Johnny Mac Tennis Project Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt regarding Johnny Mac Tennis Project Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Johnny Mac Tennis Project Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Johnny Mac Tennis Project Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

LH Frishkoff & Co. LLP

New York, New York
February 28, 2023

Johnny Mac Tennis Project Inc.
Statements of Financial Position

| | August 31, | |
|-----------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Assets | | |
| Current Assets: | | |
| Cash | \$ 1,175,348 | \$ 869,645 |
| Contributions Receivable | 54,590 | 148,905 |
| Prepaid Expenses | 2,195 | 1,899 |
| | <hr/> | <hr/> |
| Total Current Assets | 1,232,133 | 1,020,449 |
| | <hr/> | <hr/> |
| Noncurrent Assets: | | |
| Contributions Receivable | 50,000 | - |
| | <hr/> | <hr/> |
| Total Assets | \$ 1,282,133 | \$ 1,020,449 |
| | <hr/> | <hr/> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 18,563 | \$ 16,090 |
| Deferred Revenue | - | 10,500 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 18,563 | 26,590 |
| | <hr/> | <hr/> |
| Net Assets: | | |
| Net Assets without Donor Restrictions | 1,177,336 | 993,859 |
| Net Assets with Donor Restrictions | 86,234 | - |
| | <hr/> | <hr/> |
| Total Net Assets | 1,263,570 | 993,859 |
| | <hr/> | <hr/> |
| Total Liabilities and Net Assets | \$ 1,282,133 | \$ 1,020,449 |
| | <hr/> | <hr/> |

The accompanying notes are an integral part of these Financial Statements

Johnny Mac Tennis Project Inc.
Statements of Activities

| | Year Ended August 31, | |
|------------------------------------------------------------|------------------------------|-------------------|
| | 2022 | 2021 |
| Change in Net Assets Without Donor Restrictions | | |
| Revenues | | |
| Public Support and Contributions | \$ 769,518 | \$ 730,466 |
| Special Events - Contribution Revenue | 694,811 | 405,396 |
| Special Events - Tickets Revenue | 58,810 | 13,625 |
| Noncash Contributions | 30,947 | 37,299 |
| Other Revenue | 782 | 1,212 |
| | 1,554,868 | 1,187,998 |
| <i>Revenues without Donor Restrictions</i> | | |
| Expenses | | |
| Program Services | 961,844 | 839,924 |
| Special Events | 197,712 | 78,019 |
| Management and General | 156,462 | 117,198 |
| Fundraising | 55,373 | 46,989 |
| | 1,371,391 | 1,082,130 |
| <i>Total Expenses</i> | | |
| <i>Change in Net Assets without Donor Restrictions</i> | 183,477 | 105,868 |
| Change in Net Assets with Donor Restrictions | | |
| Donor Restricted Contributions Received (Released) | 86,234 | (88,111) |
| Change in Total Net Assets | 269,711 | 17,757 |
| Total Net Assets – Beginning | 993,859 | 976,102 |
| Total Net Assets – Ending | \$ 1,263,570 | \$ 993,859 |

The accompanying notes are an integral part of these Financial Statements

Johnny Mac Tennis Project Inc.
Statements of Cash Flows

| | Year Ended August 31, | |
|------------------------------------------------------------|------------------------------|-------------------|
| | 2022 | 2021 |
| Operating Activities: | | |
| Change in Total Net Assets | \$ 269,711 | \$ 17,757 |
| (Increase) Decrease in Operating Assets | | |
| Accounts Receivable | - | 2,100 |
| Contributions Receivable | 44,315 | (20,290) |
| Prepaid Expenses | (296) | 1,096 |
| Increase (Decrease) in Operating Liabilities | | |
| Accounts Payable | 2,473 | (89,041) |
| Deferred Revenue | (10,500) | 10,500 |
| Change in Operating Assets and Liabilities | 35,992 | (95,635) |
| Net Cash Provided by (Used in) Operating Activities | 305,703 | (77,878) |
| Cash – Beginning | 869,645 | 947,523 |
| Cash– Ending | \$ 1,175,348 | \$ 869,645 |

The accompanying notes are an integral part of these Financial Statements

Johnny Mac Tennis Project Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2022

| | Program Services | Special Events | Management and General | Fund Raising | Total |
|----------------------------|-----------------------------|---------------------------|-----------------------------------|-------------------------|---------------------|
| Scholarships - BNP | \$ 488,766 | \$ - | \$ - | \$ - | \$ 488,766 |
| Scholarships - JMTA | 411,695 | - | - | - | 411,695 |
| Community Programs | 27,774 | - | - | - | 27,774 |
| Promotional | - | 5,605 | 4,096 | - | 9,701 |
| Coaches | - | 19,727 | - | - | 19,727 |
| Other Event Expenses | - | 123,309 | - | - | 123,309 |
| Professional Fees | - | - | 29,465 | - | 29,465 |
| Rent | 1,600 | 2,000 | 4,100 | 2,300 | 10,000 |
| Utilities | 1,410 | 1,763 | 3,613 | 2,027 | 8,813 |
| Website Maintenance | - | 2,041 | - | 2,041 | 4,082 |
| Staff Expenses | 30,153 | 37,691 | 100,826 | 43,345 | 212,015 |
| Insurance | - | - | 10,046 | - | 10,046 |
| Transportation and Lodging | - | - | 135 | - | 135 |
| Office Expenses | 446 | 5,576 | 4,181 | 5,660 | 15,863 |
| Total | \$ 961,844 | \$ 197,712 | \$ 156,462 | \$ 55,373 | \$ 1,371,391 |

The accompanying notes are an integral part of these Financial Statements

Johnny Mac Tennis Project Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2021

| | Program Services | Special Events | Management and General | Fund Raising | Total |
|-------------------------|-----------------------------|---------------------------|-----------------------------------|-------------------------|---------------------|
| Scholarships - BNP | \$ 501,399 | \$ - | \$ - | \$ - | \$ 501,399 |
| Scholarships - JMTA | 282,256 | - | - | - | 282,256 |
| Community Programs | 29,012 | - | - | - | 29,012 |
| Promotional | - | 8,401 | - | - | 8,401 |
| Coaches | - | 9,478 | - | - | 9,478 |
| Other Event Expenses | - | 19,050 | - | - | 19,050 |
| Professional Fees | - | - | 27,988 | - | 27,988 |
| Rent | 3,222 | 4,000 | 8,080 | 4,698 | 20,000 |
| Utilities | 850 | 1,055 | 2,131 | 1,239 | 5,275 |
| Website Maintenance | - | 2,042 | - | 2,042 | 4,084 |
| Administrative Expenses | - | - | 11,594 | - | 11,594 |
| Staff Expenses | 22,669 | 28,139 | 56,842 | 33,044 | 140,694 |
| Insurance | - | - | 9,115 | - | 9,115 |
| Office Expenses | 516 | 5,854 | 1,448 | 5,966 | 13,784 |
| Total | \$ 839,924 | \$ 78,019 | \$ 117,198 | \$ 46,989 | \$ 1,082,130 |

The accompanying notes are an integral part of these Financial Statements

Johnny Mac Tennis Project Inc.
Notes to Financial Statements
August 31, 2022 and 2021

Note 1 – Organization and Operation

Johnny Mac Tennis Project Inc. (The Organization) is a not-for-profit organization that was established on May 25, 2011 to expose young athletes in the United States, and particularly in the greater New York Metropolitan Area, to the sport of tennis, as a life-long health, fitness, and wellbeing activity, and for some athletes, introduce them to high level, competitive tennis by raising public and private funds in order to provide (i) scholarships to attend a tennis academy/training facility, (ii) private and group lessons, practice time and match play, and (iii) funding to offset the costs and expenses associated with travel to regional, national and international tournaments.

Note 2 – Summary of Significant Accounting Policies

a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Organization's management has evaluated subsequent events through February 28, 2023, the date these financial statements were available to be issued.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

c) Net Assets

Net assets without donor restrictions represent funds over which the organization has variance power; that is, although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the board of directors. Thus, such funds represent unrestricted net assets to the organization.

Net assets with donor restrictions represent donations whose use has been temporarily or permanently limited by donor-imposed purpose or time restrictions.

For the year ended August 31, 2022, purpose restricted net assets totaled \$11,234. Time and purpose restricted net assets, in connection with a promise to sponsor a scholarship over the next three years, totaled \$75,000.

Johnny Mac Tennis Project Inc.
Notes to Financial Statements
August 31, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

d) *Revenue Recognition*

Contributions

Conditional contributions have donor-imposed conditions which are defined as barriers that must be overcome before the organization is entitled to the contribution. If the barrier is not overcome, then the contribution must be returned, or the promisor has the right to be released from the obligation to make the contribution. Conditional contributions are recognized as revenue when the barrier is overcome. Conditional contributions of \$10,500 were made in fiscal 2021. The conditions relating to such contributions were satisfied in fiscal 2022 and then recorded as revenue. There were no conditional contributions in fiscal 2022.

Unconditional contributions are transfers of cash or other assets to the Organization for which there are no donor imposed conditions. Unconditional contributions are recognized as revenue when received or when an unconditional commitment to donate has been made.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support in revenues and net assets without donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Noncash Contributions (Gifts in Kind and Contributed Services)

Gifts in kind (gifts of tangible personal property) are measured at fair value at the date of donation and recognized as revenue and assets in the period the gifts are received.

Contributions of services are recognized as revenue and expenses at their fair value at the date of donation if the services received meet any of the following criteria:

- a. They create or enhance a nonfinancial asset. Nonfinancial assets include land, buildings, use of facilities or utilities, materials and supplies, intangible assets, or services.
- b. They require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, lawyers, tennis professionals and other professionals.

Special Events

Revenues received from special events attendees are allocated to ticket revenues in the amount equal to the fair value of the tickets if the fair value is determinable. Revenues in excess of fair value or received from persons supporting but not attending the event are allocated

Johnny Mac Tennis Project Inc.
Notes to Financial Statements
August 31, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

to contributions revenue.

Ticket revenue is recognized upon the conclusion of the event. Contributions revenues are recognized in accordance with note 2d above.

For the fiscal year ended August 31, 2021, The Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, issued by the Financial Accounting Standards Board (FASB). This ASU clarifies revenue recognition guidance by simplifying the revenue recognition process into five steps, eliminating inconsistencies in requirements, providing a more robust framework for addressing issues, improving comparability, and enhancing disclosure requirements. Under the new rules, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods or services. The rules also require more detailed disclosures related to the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers, including significant judgments and changes in judgments. The ASU does not apply to contributions revenues but is applicable to special events ticket revenues. The Organization adopted the ASU on a modified retrospective basis and determined that it did not materially impact the financial statements.

e) Contributions Receivable (Promise to Give)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are to be received. Amortization of the discounts are included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met. Unconditional promises to give that are not clearly designated for activities in the current period, are reported as net assets with donor restrictions until the funds are received. Contribution revenues receivable in connection with special events are recognized as unrestricted revenues if the event is held by the end of the year.

The Organization provides an allowance for doubtful contributions receivable equal to the estimated uncollectible amounts. The estimate is based on historical collection experience and a review of the current status of contributions receivable. As of August 31, 2022 and 2021 there was no allowance for doubtful contributions receivable. All short term contributions receivable as of August 31, 2022 and 2021 were subsequently paid in full.

Johnny Mac Tennis Project Inc.
Notes to Financial Statements
August 31, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

f) Income Taxes

Johnny Mac Tennis Project Inc. is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

g) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses a framework for measuring fair value based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is prioritized into three levels:

Level 1 measurements: unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 measurements: observable inputs other than prices included in Level 1

Level 3 measurements: unobservable inputs

The hierarchy gives the highest priority to level 1 measurements and the lowest to level 3 measurements.

h) Functional Allocation of Expenses

Functional allocation of expenses groups costs according to the purpose for which they were incurred. The primary functional classifications are program expenses, special events, fundraising expenses, and supporting activities (management and general expenses). Included in management and general expenses are expenses not directly related to the programs including such expenses as accounting, legal, and insurance.

i) Methods Used for Allocation of Expenses

The majority of expenses can generally be directly identified with the program services or special events to which they relate and are classified accordingly. Website maintenance and the portion of other expenses attributable to credit card charges for contributions have been equally allocated between fundraising and special events to which such costs relate. Staff expenses, rent, utilities, and the remaining office expenses are allocated based on estimates of the staff's time spent on program services, special events, management and general, and fundraising.

Johnny Mac Tennis Project Inc.
Notes to Financial Statements
August 31, 2022 and 2021

Note 3 – Sportime Clubs LLC

Sportime Clubs LLC provides the Organization with services, and the use of its facilities, that are necessary for the operation of the Organization and its programs. These services include tennis lessons and coaching for tennis programs. Sportime also provides management, accounting, administrative services, and office space. Sportime charges the Organization for the services provided to the Organization's tennis programs other than for tennis court time for the community program. In accordance with an administrative services agreement between the Organization and Sportime, the Organization's staff are employed by Sportime and are, as appropriate, included in Sportime's benefits programs. Sportime provides payroll services for the Organization's staff and charges the Organization for the compensation and benefits costs of its staff. Office space and other management and administrative services are provided free of charge and are recognized as noncash contributions by the Organization if such services meet the criteria set forth by US GAAP (see Note 2d).

Note 4 – Noncash Contributions

For the years ended August 31, 2022 and 2021 noncash contributions totaled \$30,947 and \$37,299, respectively. These services were measured at fair value based on unobservable inputs (level 3 – See Note 2g). The fee usually charged by the donor for comparable services was used as the fair value on the date the services were contributed.

Noncash contributions in the statement of activities consist of the following, all of which were received from Sportime:

| <u>Type</u> | <u>Expense</u> | <u>2022</u> | <u>2021</u> |
|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Accounting and Admin Services | Management and General | \$ 12,134 | \$ 12,024 |
| Office Space and Utilities | Allocated to Various Expenses | 18,813 | 25,275 |
| Total | | <u>\$ 30,947</u> | <u>\$ 37,299</u> |

Johnny Mac Tennis Project Inc.
Notes to Financial Statements
August 31, 2022 and 2021

Note 5 – Contributions Receivable

As of December 31, 2022, the Organization has unconditional contributions receivable as follows:

| | |
|-------------------------|---------------------------------|
| Due within 1 year | \$ 54,590 |
| Due within 2 to 3 years | <u>50,000</u> |
| Total | <u><u>\$ 104,590</u></u> |

Note 6 – Related Party Transactions

The Organization earned revenues of \$108,900 and \$60,800 from members of the board of directors for the years ended August 31, 2022 and 2021, respectively.

Note 7 – Liquidity

The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.