

**NORWALK GRASSROOTS TENNIS &
EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017**

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

CONTENTS

	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13

KIRCALDIE, RANDALL & MCNAB LLC

CERTIFIED PUBLIC ACCOUNTANTS

NORTH HAVEN, CONNECTICUT 06473

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Norwalk Grassroots Tennis & Education, Inc.
Norwalk, Connecticut

We have audited the accompanying financial statements of Norwalk Grassroots Tennis & Education, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and changes in net assets, 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.

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 judgement, including the assessment of the risks of material misstatement of the financial statement, 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 reasonable 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 Norwalk Grassroots Tennis & Education, Inc., as of December 31, 2017, 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 Norwalk Grassroots Tennis & Education, Inc.'s 2016 financial statements and issued their report dated June 26, 2017, in which we 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, 2016 is consistent, in all material respects, with the audited financial statement from which it has been derived.

Kircaldie Randall & McNab LLC

North Haven, Connecticut
June 22, 2018

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 648,744	\$ 249,536
Accounts receivables	367	17,500
Prepays	749	1,711
Total current assets	\$ 649,860	\$ 268,747
Investments:		
Marketable securities	\$ 232,566	\$ 248,995
Property, Plant and Equipment:		
Equipment	\$ 7,125	\$ 7,125
Transportation	24,691	24,691
	\$ 31,816	\$ 31,816
Less, accumulated depreciation	16,061	9,696
	\$ 15,755	\$ 22,120
Total assets	\$ 898,181	\$ 539,862
LIABILITIES		
Current liabilities:		
Current portion of loan payable	\$ 4,983	\$ 4,838
Accounts payable	6,771	2,241
Accrued expenses	8,757	3,774
Total current liabilities	\$ 20,511	\$ 10,853
Other liabilities:		
Loan payable-due after one year	8,642	13,620
Total liabilities	\$ 29,153	\$ 24,473
NET ASSETS		
Net assets:		
Unrestricted	\$ 422,517	\$ 443,608
Temporarily restricted	446,511	71,781
Total net assets	\$ 869,028	\$ 515,389
Total liabilities and net assets	\$ 898,181	\$ 539,862

KIRCALDIE, RANDALL & MGNAB LLC

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:				
Donations	\$ 215,674	\$ 453,744	\$ 669,418	\$ 380,537
Interest and dividends	7,238	0	7,238	5,898
Fundraising	228,137	0	228,137	104,163
Gains (losses) from sale of investments	288	0	288	38,094
Other income	7,385	0	7,385	0
Net assets released from restrictions	79,014	(79,014)	0	0
Total revenues, gains and other support	<u>\$ 537,736</u>	<u>\$ 374,730</u>	<u>\$ 912,466</u>	<u>\$ 528,692</u>
EXPENSES:				
Program expenses	\$ 466,354	\$ 0	\$ 466,354	\$ 401,298
Fundraising expenses	52,285	0	52,285	82,810
Management and general expenses	64,398	0	64,398	38,120
Total expenses	<u>\$ 583,037</u>	<u>\$ 0</u>	<u>\$ 583,037</u>	<u>\$ 522,228</u>
Net revenue over expenses	\$ (45,301)	\$ 374,730	\$ 329,429	\$ 6,464
Unrealized gain (loss) on investments	24,210	0	24,210	13,857
Changes in net assets	\$ (21,091)	\$ 374,730	\$ 353,639	\$ 20,321
Net assets-beginning of the year-January 1,	443,608	71,781	515,389	495,068
Net assets-end of the year-December 31,	<u>\$ 422,517</u>	<u>\$ 446,511</u>	<u>\$ 869,028</u>	<u>\$ 515,389</u>

KIRCALDIE, RANDALL & MGNAB LLC

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

KIRCALDIE, RANDALL & McNAB LLC

Expenses:	2017							2016
	Program expenses				Management General	Fundraising	Total	Total
	Tennis	Education & Life Skills	Career Leadership Skills	Total Program				
Salaries and wages	\$ 171,346	\$ 81,843	\$ 23,437	\$ 276,626	\$ 40,735	\$ 38,525	\$ 355,886	\$ 295,357
Payroll taxes	13,741	6,529	1,871	22,141	3,167	3,079	28,387	27,684
Academics	0	23,213	0	23,213	0	0	23,213	45,593
Program supplies & expenses	49,770	0	2,559	52,329	0	0	52,329	33,411
Fundraising	0	0	0	0	0	4,470	4,470	41,616
Travel	254	0	0	254	48	0	302	3,670
Utilities	2,519	5,815	0	8,334	872	485	9,691	9,560
Technology expenses	4,200	4,200	0	8,400	2,101	0	10,501	3,144
Telephone	1,013	2,393	0	3,406	399	184	3,989	2,828
Property taxes	178	82	0	260	83	16	359	0
Nutrition	18,209	17,345	0	35,554	0	0	35,554	17,858
Maintenance	1,514	3,632	0	5,146	907	0	6,053	6,346
Insurance	10,397	2,542	0	12,939	2,562	0	15,501	4,923
Rent	0	3,000	0	3,000	2,000	0	5,000	5,000
Professional fees	0	0	0	0	7,966	0	7,966	6,100
Professional development	2,449	0	0	2,449	1,108	0	3,557	1,695
Marketing	375	375	0	750	0	3,548	4,298	3,290
Office supplies	500	500	500	1,500	1,086	960	3,546	3,450
Bank fees	3,124	1,198	312	4,634	573	0	5,207	0
Interest expense	518	0	0	518	0	0	518	0
Investment expenses	0	0	0	0	228	0	228	80
Miscellaneous expenses	0	0	0	0	117	0	117	4,258
Depreciation	2,927	1,719	255	4,901	446	1,018	6,365	6,365
Total expenses	\$ 283,034	\$ 154,386	\$ 28,934	\$ 466,354	\$ 64,398	\$ 52,285	\$ 583,037	\$ 522,228

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 353,639	\$ 20,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,365	6,365
Realized gain on sale of investments	(288)	(38,094)
Unrealized gain on investments	(24,210)	(13,857)
Net Change in :		
Accounts receivable	17,133	107,500
Prepays	962	(1,711)
Accounts payable	4,530	(2,221)
Accrued expenses	4,983	(3,774)
Security deposits	0	0
Net cash provided (used) by operating activities	\$ 363,114	\$ 74,529
Cash Flows from Investing Activities:		
Purchase of equipment	\$ 0	\$ 0
Proceeds from sale of securities	138,808	66,993
Purchases of securities	(97,881)	(94,135)
Net cash provided (used) by investing activities	\$ 40,927	\$ (27,142)
Cash Flows from Financing Activities:		
Change in loan payable	\$ (4,833)	\$ (3,982)
Net cash provided (used) by financing activities	\$ (4,833)	\$ (3,982)
Net increase (decrease) in cash	\$ 399,208	\$ 43,405
Cash & cash equivalents-beginning of the year-January 1,	249,536	206,131
Cash & cash equivalents-end of the year-December 31,	\$ 648,744	\$ 249,536

KIRCALDIE, RANDALL & MGNAB LLC

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

Norwalk Grassroots Tennis & Education Inc., formerly Norwalk Grassroots Tennis, Inc., (the “Organization”) is a not-for-profit organization that operates a free Community Tennis and Education Program and is a 4 Star (highest ranking) United States Tennis Association Junior Tennis Program for children from underserved families in the City of Norwalk, Connecticut. Norwalk Grassroots Tennis & Education, Inc. employs a comprehensive approach to build strength of character and a foundation for success for underserved youth through tennis and education, emphasizing achievements on the tennis court, in the classroom, a plan for college, and the opportunity to explore different career options until each child finds a fit for his or her talents and interests.

NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements of Norwalk Grassroots Tennis & Education, Inc., have been prepared in conformity with the Not-for-Profit Organization Audit and Accounting Guide published by the American Institute of Certified Public Accountants.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Norwalk Grassroots Tennis & Education, Inc., and changes therein are classified and reported as either: unrestricted net assets or temporarily restricted net assets.

Summary of Significant Accounting Policies

The significant accounting policies used by Norwalk Grassroots Tennis & Education, Inc., are described below to enhance the usefulness of the financial statements to the reader.

Cash and cash equivalents

For the purposes of the statement of cash flows the Organization considers all highly liquid investments available for current use with an initial maturity of three (3) months or less to be cash equivalents.

Investments

Investments are stated at market value.

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

Donated Services

A number of volunteers have donated significant amounts of their time in the organization's program services and fundraising activities. Those services, while they may create a non-financial asset, do not create a financial asset and are therefore not reflected in the accompanying financial statements.

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.

Financial Statement Presentation

Norwalk Grassroots Tennis & Education, Inc., reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets.

Contributions

Current cash contributions and unconditional promises to give, are recognized as revenue when made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give are recorded at their net realizable value.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value upon receipt.

Depreciation

Depreciation is computed using the straight line method based on the estimated useful lives of the individual units comprising depreciable assets.

Marketing

Marketing costs are expensed as incurred.

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

Tax Exempt Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section §501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014 and that income tax filing positions would be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows.

Functional Allocation of Expenses

Non-payroll costs which pertain to a single program (including fundraising and management and general) are charged directly to the applicable program. Non-payroll costs which pertain to more than one program are allocated between the benefitting programs using a meaningful allocation base. Those costs are generally allocated based on management's analysis of staff time. Non-payroll costs that cannot be specifically identified with a program are considered management and general costs. Payroll costs are recorded based on Norwalk Grassroots Tennis and Education, Inc.'s analysis, based on periodic time studies, of time each employee spends on certain tasks during the year according to each employee's job description, program goals and individual employee work plans. Employees can be involved in one program, more than one program, management and general, or a combination of program, fundraising and management and general functions.

Recognition of Donor Restricted Contributions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of December 31, 2017 and 2016, there were no permanently restricted net assets.

Summarized Prior Year Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 — PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are recorded at cost and are summarized as follows:

	<u>2017</u>
Computer equipment	\$ 7,125
Van	<u>24,691</u>
	\$ 31,816
Less: accumulated depreciation	<u>16,061</u>
	<u><u>\$ 15,755</u></u>

Depreciation expense for the year ended December 31, 2017 amounted to \$6,365. There were no property, plant and equipment add to or retired during the year ended December 31, 2017.

NOTE 3 — RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets consist of funds which are to be used to satisfy donor imposed restrictions. There are no permanently restricted net assets.

NOTE 4 — NOTE PAYABLE:

In 2015, the Norwalk Grassroots Tennis & Education, Inc. borrowed \$24,691 to purchase a van. The loan is for 5 years and has a 2.95% interest rate. For the year ended December 31, 2017, \$4,833 of principal payments and \$518 of interest payments were made. The balance of the note at December 31, 2017 is \$13,625. A breakdown of the note payable for the next four years is as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,983	\$ 334
2019	5,131	189
2020	<u>3,511</u>	<u>39</u>
	<u><u>\$13,625</u></u>	<u><u>\$ 562</u></u>

NOTE 5 — INVESTMENTS:

U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 — INVESTMENTS: (CONTINUED)

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

The Norwalk Grassroots Tennis & Education, Inc.'s investments are in publicly traded securities. Fair value for these investments is based on quoted market prices and published net asset values. Investments at December 31, all of which are valued using Level 1 inputs, consisted of the following:

	2017		Unrealized
	<u>Book Value</u>	<u>Market Value</u>	<u>Gain (Loss)</u>
Mutual Funds/Closed-End Funds	<u>\$ 184,760</u>	<u>\$ 232,566</u>	<u>\$ 47,806</u>

Components of investment income for the year ended December 31 are as follows:

	<u>2017</u>
Unrestricted assets:	
Investment income	\$ 5,217
Realized gains (losses)	288
Unrealized gains (losses)	24,210
Investment related fees	(228)
Interest earned on	
cash equivalents	<u>2,021</u>
Total	<u>\$ 31,508</u>

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 — TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are categorized by function as follows:

Scholarships	\$ 2,000
Nutrition	10,043
Education	17,013
Tennis Courts	384,550
Tennis Instruction	<u>32,905</u>
	<u>\$ 446,511</u>

There were \$453,744 of temporarily restricted donations received in the 2017 year and there were \$79,014 of temporarily restricted donations released in the 2017 year. \$300,000 of the Tennis Courts restricted funds will be released in early 2018, for the construction of new tennis courts.

NOTE 7 — LEASE COMMITMENT:

The Organization leases its building from the City of Norwalk under a five year operating lease commencing on January 1, 2015 and ending on December 31, 2019. Annual rental amount is \$5,000 per year with the option for two years of renewals to the year 2021 year. Rent expense for the year ended December 31, 2017 is \$5,000. The city in early 2018 let the organization know that the building that the organization leases and occupies will be demolished by early 2019, and the city will relocate the organization and release them from their lease. See subsequent event note for further explanation.

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 5,000
2019	<u>5,000</u>
	<u>\$ 10,000</u>

NOTE 8 — UNINSURED CASH BALANCES:

The Norwalk Grassroots Tennis & Education, Inc., maintains their cash in bank deposits at a high credit quality financial institution. The balance at times may exceed federally insured limits. At December 31, 2017, the cash balances did exceed the insured limit of \$250,000, by \$302,829.

NORWALK GRASSROOTS TENNIS & EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 — SUBSEQUENT EVENTS:

Facility: Norwalk Grassroots Tennis & Education, Inc., currently operate from a facility rented with the City of Norwalk. The City of Norwalk will commence the building of a new public school campus at the site of the Norwalk Grassroots Tennis & Education, Inc., facility possibly as early as the spring of 2019. The construction project will require the demolition of the current facility. The City of Norwalk has agreed to assist Norwalk Grassroots Tennis & Education, Inc., in finding an interim facility to operate from during the construction, and has agreed to incorporate permanent facilities for the Norwalk Grassroots Tennis & Education, Inc., in the building plans for the new school campus.

Tennis Center: In early 2018, Norwalk Grassroots Tennis & Education, Inc., paid \$300,000 as part of a joint project with the city of Norwalk to construct new Tennis courts and amenities (the William Rippe Tennis Center) in close proximity to our educational and administrative facilities. The \$300,000 has been recieved in the 2017 year as part of a targeted fundraising campaign as recorded and discussed as Temporarily Restricted Net Assets: Tennis Courts. The Tennis center will be owned by the City of Norwalk, but through negotiations in the course of undertaking the project, the Norwalk Grassroots Tennis & Education, Inc., has been granted priority access to the tennis center facilities to operate its programs.

Management has evaluated subsequent events through June 22, 2018, the date on which the financial statements were available to be issued.