

**INNERCITY TENNIS FOUNDATION**

**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**

For The Years Ended  
December 31, 2024 and 2023

**INNERCITY TENNIS FOUNDATION**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
InnerCity Tennis Foundation  
Minneapolis, Minnesota

### **Opinion**

We have audited the accompanying financial statements of InnerCity Tennis Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, 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 InnerCity Tennis Foundation as of December 31, 2024 and 2023, and the changes in its net assets and its 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 InnerCity Tennis Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 about InnerCity Tennis Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of 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 auditor's 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 InnerCity Tennis Foundation'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 InnerCity Tennis Foundation'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.



REDPATH AND COMPANY, LLC  
St. Paul, Minnesota

April 10, 2025

## **FINANCIAL STATEMENTS**

**INNERCITY TENNIS FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
For The Years Ended December 31, 2024 and 2023

**Statement 1**

	2024	2023
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$833,902	\$1,423,494
Beneficial interest in assets held by the Minneapolis Foundation	-	1,037,999
Investments	1,129,930	-
Contributions receivable	177,078	67,229
Accounts receivable, net	263,508	190,491
Inventory	14,438	16,649
Prepays	18,891	13,639
Total current assets	<u>2,437,747</u>	<u>2,749,501</u>
<b>Property and equipment:</b>		
Buildings and improvements	1,856,114	1,786,769
Air structures	1,524,405	1,524,405
Equipment and furniture	405,286	386,420
Vehicles	128,471	102,945
Expansion project in progress	90,560	60,320
Accumulated depreciation	(2,469,658)	(2,196,108)
Total property and equipment	<u>1,535,178</u>	<u>1,664,751</u>
<b>Other assets:</b>		
Goodwill	185,291	185,291
Intangible assets	10,985	10,985
Accumulated amortization - intangibles	(10,985)	(10,985)
Total other assets	<u>185,291</u>	<u>185,291</u>
Total assets	<u>\$4,158,216</u>	<u>\$4,599,543</u>
<b>Liabilities and net assets:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$40,928	\$46,253
Accrued expenses	208,921	156,252
Deferred revenue	416,969	395,336
Note payable, due within one year	6,754	6,394
Finance lease liability, due within one year	4,196	7,982
Total current liabilities	<u>677,768</u>	<u>612,217</u>
<b>Non-current liabilities:</b>		
Note payable, due in more than one year	19,930	26,681
Finance lease liability, due in more than one year	-	4,196
Total non-current liabilities	<u>19,930</u>	<u>30,877</u>
Total liabilities	<u>697,698</u>	<u>643,094</u>
<b>Net assets:</b>		
Without donor restrictions	3,360,518	3,509,457
With donor restrictions	100,000	446,992
Total net assets	<u>3,460,518</u>	<u>3,956,449</u>
Total liabilities and net assets	<u>\$4,158,216</u>	<u>\$4,599,543</u>

The accompanying notes are an integral part of these financial statements.

**INNERCITY TENNIS FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
For The Years Ended December 31, 2024 and 2023

**Statement 2**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue:</b>						
Activity revenue	\$2,061,540	\$ -	\$2,061,540	\$1,662,731	\$ -	\$1,662,731
Summer park program fees	40,981	-	40,981	77,430	-	77,430
Unrealized gain on beneficial interest	123,704	-	123,704	117,637	-	117,637
Investment income (loss)	(7,179)	-	(7,179)	-	-	-
Other income	32,768	-	32,768	34,704	-	34,704
Total revenue	<u>2,251,814</u>	<u>0</u>	<u>2,251,814</u>	<u>1,892,502</u>	<u>0</u>	<u>1,892,502</u>
<b>Support:</b>						
Contributions	424,522	477,534	902,056	580,857	115,000	695,857
In-kind contributions	12,430	-	12,430	-	-	-
Special event income	54,900	-	54,900	63,999	-	63,999
Total support	<u>491,852</u>	<u>477,534</u>	<u>969,386</u>	<u>644,856</u>	<u>115,000</u>	<u>759,856</u>
Net assets released from restriction	824,526	(824,526)	-	268,008	(268,008)	-
Total support and revenue	<u>3,568,192</u>	<u>(346,992)</u>	<u>3,221,200</u>	<u>2,805,366</u>	<u>(153,008)</u>	<u>2,652,358</u>
<b>Expenses:</b>						
<b>Program:</b>						
Outreach	901,688	-	901,688	704,664	-	704,664
Tennis center	1,820,326	-	1,820,326	1,712,254	-	1,712,254
Expansion project	91,142	-	91,142	57,937	-	57,937
Total program	<u>2,813,156</u>	<u>0</u>	<u>2,813,156</u>	<u>2,474,855</u>	<u>0</u>	<u>2,474,855</u>
<b>Supporting services:</b>						
Management and general	725,955	-	725,955	448,601	-	448,601
Fundraising	178,020	-	178,020	189,521	-	189,521
Total supporting services	<u>903,975</u>	<u>0</u>	<u>903,975</u>	<u>638,122</u>	<u>0</u>	<u>638,122</u>
Total expenses	<u>3,717,131</u>	<u>0</u>	<u>3,717,131</u>	<u>3,112,977</u>	<u>0</u>	<u>3,112,977</u>
Change in net assets	(148,939)	(346,992)	(495,931)	(307,611)	(153,008)	(460,619)
Net assets - beginning of year	<u>3,509,457</u>	<u>446,992</u>	<u>3,956,449</u>	<u>3,817,068</u>	<u>600,000</u>	<u>4,417,068</u>
Net assets - end of year	<u>\$3,360,518</u>	<u>\$100,000</u>	<u>\$3,460,518</u>	<u>\$3,509,457</u>	<u>\$446,992</u>	<u>\$3,956,449</u>

The accompanying notes are an integral part of these financial statements.

**INNERCITY TENNIS FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For The Years Ended December 31, 2024 and 2023

**Statement 3**  
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	2024					Total
	Program Services			Supporting Services		
	Outreach	Tennis Center	Expansion Project	Management	Fundraising	
Expenses:						
Personnel costs	\$796,871	\$1,053,755	\$52,199	\$449,369	\$111,102	\$2,463,296
Utilities	7,320	134,680	-	4,392	-	146,392
Depreciation and amortization	-	273,550	-	-	-	273,550
Cost of goods sold	-	22,187	-	-	-	22,187
Special event expense	-	-	-	-	50,059	50,059
Program expenses	66,953	37,659	695	4,132	-	109,439
Contract services	953	92,528	38,248	188,604	2,750	323,083
Insurance	6,635	14,375	-	22,116	1,106	44,232
Lease expense	9,417	50,225	-	1,570	1,570	62,782
Facility maintenance	-	32,536	-	4,408	59	37,003
Training and staff development	3,524	(176)	-	11,337	130	14,815
Supplies	-	1,245	-	1,048	146	2,439
Bad debt expense	-	637	-	-	-	637
Telephone	3,217	9,791	-	979	-	13,987
Postage and delivery	152	824	-	25	84	1,085
Dues and subscriptions	139	1,141	-	3,679	-	4,959
Printing and copying	841	4,623	-	126	2,816	8,406
Advertising, marketing and PR	5,666	(4,435)	-	16,057	7,204	24,492
Bank charges	-	89,679	-	9,759	-	99,438
Interest expense	-	2,240	-	809	-	3,049
Other	-	3,262	-	7,545	994	11,801
Total expenses	<u>\$901,688</u>	<u>\$1,820,326</u>	<u>\$91,142</u>	<u>\$725,955</u>	<u>\$178,020</u>	<u>\$3,717,131</u>

The accompanying notes are an integral part of these financial statements.

**INNERCITY TENNIS FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For The Years Ended December 31, 2024 and 2023

**Statement 3**  
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	2023					Total
	Program Services			Supporting Services		
	Outreach	Tennis Center	Expansion Project	Management	Fundraising	
Expenses:						
Personnel costs	\$582,883	\$901,806	\$57,937	\$226,965	\$123,155	\$1,892,746
Utilities	9,258	170,352	-	6,687	-	186,297
Depreciation and amortization	-	256,309	-	-	-	256,309
Cost of goods sold	-	28,664	-	-	-	28,664
Special event expense	-	-	-	-	53,504	53,504
Program expenses	80,187	40,449	-	6,992	-	127,628
Contract services	-	102,443	-	137,000	4,994	244,437
Insurance	5,502	11,921	-	18,340	917	36,680
Lease expense	8,829	47,090	-	1,472	1,472	58,863
Facility maintenance	-	35,324	-	10,021	418	45,763
Training and staff development	1,050	(3,139)	-	10,788	119	8,818
Supplies	-	4,345	-	6,910	36	11,291
Bad debt expense	-	24,159	-	-	-	24,159
Telephone	2,807	8,544	-	854	-	12,205
Postage and delivery	128	695	-	21	71	915
Dues and subscriptions	-	2,446	-	1,772	-	4,218
Printing and copying	878	4,828	-	132	2,941	8,779
Advertising, marketing and PR	13,142	(3,648)	-	6,785	(700)	15,579
Bank charges	-	73,904	-	8,276	2,161	84,341
Interest expense	-	3,304	-	926	-	4,230
Other	-	2,458	-	4,660	433	7,551
Total expenses	<u>\$704,664</u>	<u>\$1,712,254</u>	<u>\$57,937</u>	<u>\$448,601</u>	<u>\$189,521</u>	<u>\$3,112,977</u>

The accompanying notes are an integral part of these financial statements.

**INNERCITY TENNIS FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
For The Years Ended December 31, 2024 and 2023

**Statement 4**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	(\$495,931)	(\$460,619)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	273,550	256,309
Gain on beneficial interest	(123,704)	(118,711)
Loss on fair value of investments	(35,023)	-
Allowance for doubtful accounts	637	24,159
(Increase) decrease in current assets:		
Contributions receivable	(109,849)	59,750
Accounts receivable	(73,654)	(76,772)
Inventory	2,211	(2,231)
Prepays	(5,252)	4,255
Increase (decrease) in current liabilities:		
Accounts payable	(5,325)	2,342
Accrued expenses	52,669	6,535
Deferred revenue	21,633	150,210
Net cash use in operating activities	<u>(498,038)</u>	<u>(154,773)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(143,977)	(237,190)
Purchase of investments, including reinvested income	66,796	-
Net cash used in investing activities	<u>(77,181)</u>	<u>(237,190)</u>
Cash flows from financing activities:		
Principal payments on note payable	(6,391)	(6,054)
Principal payments on finance lease	(7,982)	(7,467)
Net cash used in financing activities	<u>(14,373)</u>	<u>(13,521)</u>
Decrease in cash and cash equivalents	(589,592)	(405,484)
Cash and cash equivalents - beginning of year	<u>1,423,494</u>	<u>1,828,978</u>
Cash and cash equivalents - end of year	<u><u>\$833,902</u></u>	<u><u>\$1,423,494</u></u>
Supplemental cash flow information:		
Cash paid for interest	<u><u>\$3,049</u></u>	<u><u>\$4,230</u></u>

The accompanying notes are an integral part of these financial statements.

**Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

InnerCity Tennis Foundation (Foundation), which was organized in 1952, is a Minnesota non-profit charitable organization designated under Section 501(c)(3), of the Internal Revenue Code. The Foundation raises funds from the general public used for conducting various youth and adult programs throughout the year to provide mentoring, training, and personal growth opportunities that enhance health, education, and character through the game of tennis.

**B. FINANCIAL STATEMENT PRESENTATION**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and are presented in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

**C. USE OF 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 certain reported amounts and related disclosures. Accordingly, actual results could differ from those estimates.

**D. CASH AND CASH EQUIVALENTS**

For the purposes of presenting cash flows, cash equivalents include short-term investments with maturities of three months or less, except for cash equivalents included in investments.

**E. INVESTMENTS**

Investments consists of cash, mutual funds and exchange traded funds held by an investment broker. Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by the donor or law

**F. ACCOUNTS RECEIVABLE**

Accounts receivable are stated at net realizable value. An allowance is provided for uncollectible amounts based on management's prior experience with customers, analysis of individual accounts, and other reasonable and supportable forward-looking information. Services are provided on an unsecured basis and no interest is charged. Payment is required within 30 days of receipt. Past-due balances are reviewed monthly by management and when all collection efforts have been exhausted, the accounts are written off. Management has established an allowance for doubtful accounts of \$34,796 and \$34,159 as of December 31, 2024 and 2023, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

**G. CONTRIBUTIONS RECEIVABLE**

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. For long-term contributions receivable, management has determined the amount of the present value discount to be immaterial and was not recorded.

The Foundation uses the allowance method to determine uncollectible contributions receivable. Past due balances are reviewed monthly by management and when all collection efforts have been exhausted, the accounts are written off. At December 31, 2024 and 2023, all contributions receivables are due within one year and are expected to be fully collected.

#### **H. INVENTORY**

Inventory consists of clothing, tennis equipment and accessories held for resale. Inventory is valued at the lower of cost, (determined on a first-in, first-out basis) or net realizable value.

#### **I. PROPERTY AND EQUIPMENT**

Property and equipment are recorded at original cost. Additions, improvements, or major renewals greater than \$1,000 are capitalized. Donations of property and equipment are recorded as contributions at estimated fair value. Any gains or losses on property and equipment retirements are recognized in the statements of activities.

Depreciation is computed using straight-line and accelerated methods and rates based on estimated service lives as follows:

Buildings and improvements	3-39 Years
Air structures	7-15 Years
Equipment and furniture	3-15 Years
Computer equipment	3-7 Years
Vehicles	5-7 Years

#### **J. BENEFICIAL INTEREST IN ASSETS HELD BY THE MINNEAPOLIS FOUNDATION**

The Foundation had established a fund held by the Minneapolis Foundation.

The Minneapolis Foundation had physical control over the assets and reinvestment of the fund, but InnerCity Tennis Foundation retained the right to make fund distributions. Based on current generally accepted accounting principles, these funds were recorded at the fair value of the Minneapolis Foundation's underlying assets.

In November 2024, the Foundation transferred the fund held with the Minneapolis Foundation to an investment account held by a broker.

#### **K. INTANGIBLE ASSETS**

The Foundation has goodwill resulting from the acquisition of Nicollet Tennis Center, Inc. for an amount in excess of the fair value of the net assets acquired. The Foundation performs an annual review for impairment of the goodwill balance of \$185,291. No such impairment existed as of December 31, 2024 and 2023.

#### **L. NET ASSETS**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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-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.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

At December 31, 2024 and 2023, the Foundation had no net assets with donor restrictions that were permanent in nature.

#### **M. REVENUE AND REVENUE RECOGNITION**

The Foundation recognizes revenue from activities it offers, such as leagues, tennis lessons, court rental, and summer park programs. Revenue is recognized at a point in time, when the activities take place. These contracts with customers are reported as activity revenue and summer park program on the statements of activities. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Customers are charged in advance for activities they register for, however customers can cancel prior to the activity occurring and receive a refund. Payments collected in advance are recorded as deferred revenue until the activity takes place.

The Foundation recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

For the year ended 2024, 56% of total support, as presented on the statements of activities was received from three donors. For the year ended 2023, 34% of total support, as presented on the statements of activities was received from two donors.

#### **N. CONTRIBUTIONS IN-KIND**

Donations of goods and other noncash assets are recorded at the estimated fair value on the date received. Contributed services, which require special skill and the Foundation would have paid for if not donated, are recorded at their estimated fair value when services are rendered. The contributions of such goods or services received during the years ended December 31, 2024 and 2023 were \$12,430 and \$0.

#### **O. FAIR VALUE MEASUREMENTS**

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

#### **P. INCOME TAXES**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Foundation follows the accounting standards for uncertain tax positions and files as a tax-exempt organization. No liability has been recognized by the Foundation as a result of the implementation of this standard. Should that status be challenged in the future, all years since inception could be subject to review by the Internal Revenue Service.

#### **Q. CREDIT RISK**

Financial instruments which potentially subject the Foundation to concentrations of credit risk are principally cash and pledges receivable. The Foundation places its cash investment with a high-quality financial institution. Although the balance may at times exceed the federally insured limits, the Foundation has not experienced losses in these accounts and does not believe it is exposed to any significant credit risk.

#### **R. FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting function of the Foundation. Those expenses include personnel, accounting, audit, legal fees, utilities, insurance, telephone, postage and delivery, printing and copying, and advertising and marketing. Personnel costs are allocated based on estimates of time and effort. Non-personnel costs are allocated based on an estimate of the benefit received by each function.

#### **S. LEASES**

The Foundation leases certain space and equipment at various terms under operating lease and finance lease agreements. For any lease with an initial term in excess of 12 months, the related leased asset and liability are recognized on the balance sheets as either operating or finance leases at the inception of an agreement where it is determined that a lease exists. The Foundation has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for the leases. A lease is considered to be short-term if it contains a lease term of 12 months or less. Lease expense related to short term leases is recognized on a straight-line basis over the term of the lease.

Finance leases are included in property and equipment and finance lease liabilities. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. The Foundation has elected to use the risk-free rate as the discount factor in lieu of determining the incremental borrowing rate for all classes of underlying assets when the implicit rate is not readily determinable.

**INNERCITY TENNIS FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

**Note 2 LIQUIDITY AND AVAILABILITY**

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the date of the statements of financial position are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$833,902	\$1,016,502
Beneficial interest in assets held by the Minneapolis Foundation	-	1,037,999
Investments	1,129,930	-
Accounts receivable	263,508	190,491
Contributions receivable	<u>77,078</u>	<u>27,229</u>
 Total	 <u>\$2,304,418</u>	 <u>\$2,272,221</u>

As the Foundation focuses on its long-term financial sustainability, it has raised funds that are greater than the current operating needs which can be used for long-term projects. To optimize returns while still maintaining a prudent risk profile, the Finance Committee of the Board has overseen the establishment of an investment fund. The fund invests in a balanced way; investing in equity and fixed income funds and securities.

In addition, the Foundation maintains a conservative liquidity management strategy in which it holds two months of personnel expenses, in excess of anticipated costs. Furthermore, the Foundation has weekly access to the assets held by the Minneapolis Foundation.

**Note 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 1E – Investments, Note 1J – Beneficial Interests in Assets Held by the Minneapolis Foundation, and Note 1O – Fair Value Measurements.

At December 31, 2024, all assets that are measured at fair value on a recurring basis are categorized as Level 1 and are as follows:

Mutual funds - fixed	\$265,933
Mutual funds - equity	135,466
Exchange traded funds - fixed	104,690
Exchange traded funds - equity	<u>594,010</u>
 Investments at fair value	 1,100,099
 Cash and cash equivalents	 <u>29,831</u>
 Total investments	 <u>\$1,129,930</u>

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At December 31, 2023, all assets that were measured at fair value on a recurring basis were categorized as Level 3 and were as follows:

Beneficial interest in assets held by the Minneapolis Foundation	<u>\$1,037,999</u>
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The following table provides a summary of changes in fair value of the Foundation’s Level 3 assets for the years ended December 31, 2024 and 2023:

	Beneficial interest in assets held by the Minneapolis Foundation
Balance at December 31, 2022	\$919,288
Investment return, net	118,711
Ending Balance at December 31, 2023	1,037,999
Investment return, net	123,704
Distributions	(1,161,703)
Ending Balance - December 31, 2024	\$0

**Note 4 LEASE COMMITMENTS**

**A. OPERATING LEASE**

The Foundation has a facility lease through May of 2029, with one additional 5-year term available.

Rent is calculated at 3% of monthly gross receipts (less sales and entertainment taxes) of InnerCity Tennis Foundation payable to the Minneapolis Park and Recreation Board by the tenth of the following month accompanied by a statement of total monthly gross receipts. All operating costs of the leased premises are the responsibility of the Foundation. Based on the variable rent amount, the lease with the Minneapolis Park and Recreation Board is exempt from the ASU 842 recognition of lease asset and liability.

The lease agreement specifies that InnerCity Tennis Foundation may not increase court fees during any 12-month period by more than \$2 per hour without obtaining approval of the Minneapolis Park and Recreation Board.

**B. FINANCE LEASE**

In 2021, the Foundation entered into a lease purchase agreement for a court sweeper. The agreement requires monthly payments of \$713 through June 2025, with a discount factor applied of 6.7%.

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Future minimum lease payments are as follows:

	<u>Amount</u>
Year Ending December 31, 2025	\$4,278
Less: Amount representing interest	<u>(82)</u>
Present value of minimum payments	<u><u>\$4,196</u></u>

The net book value of property and equipment under finance lease follows:

	<u>2024</u>	<u>2023</u>
Equipment	\$29,948	\$29,948
Less: Accumulated depreciation	<u>(14,962)</u>	<u>(10,684)</u>
Net book value	<u><u>\$14,986</u></u>	<u><u>\$19,264</u></u>

The following summarizes the line items in the statements of functional expenses which include the components of lease expense for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating lease expense included in rent expense	<u>\$62,782</u>	<u>\$58,863</u>
Finance lease costs:		
Amortization of lease assets included in depreciation and amortization expense	\$4,278	\$4,278
Interest on lease liabilities included in interest expense	<u>574</u>	<u>1,090</u>
Total finance lease costs	<u><u>\$4,852</u></u>	<u><u>\$5,368</u></u>

**Note 5 NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, net assets with donor restrictions are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Expansion project	\$ -	\$35,000
Schools and community programming	<u>100,000</u>	<u>411,992</u>
Total	<u><u>\$100,000</u></u>	<u><u>\$446,992</u></u>

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**Note 6 RETIREMENT PLAN**

The Foundation sponsors a SIMPLE IRA plan that covers eligible employees. The Foundation matches employee contributions up to 3%. The Foundation's contributions to the plan were \$27,214 and \$25,216 for the years ended December 31, 2024 and 2023, respectively.

**Note 7 CONTINGENT LIABILITIES**

On May 8, 2020 the Foundation entered into a Paycheck Protection Program (PPP) loan for \$253,834. The Foundation received full forgiveness from the SBA on July 9, 2021. On February 17, 2021, the Foundation obtained a second draw PPP loan for \$304,745. The Foundation received full forgiveness from the SBA on April 4, 2022. The expenditures made under the PPP loan program are subject to review and audit by the SBA for six years from the date the loan was forgiven. Management believes that any liability for disallowances, which may arise as a result of an audit, would not be material.

**Note 8 NOTES PAYABLE**

Notes payable consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Vehicle note payable to GM Financial bearing interest at 5.49% with monthly installments of \$671. Matures August 2028, secured by vehicle purchased.	\$26,684	\$33,075
Less: Current maturities	<u>(6,754)</u>	<u>(6,394)</u>
Long-term portion	<u>\$19,930</u>	<u>\$26,681</u>

The annual maturities of the note payable are as follows for the years ending December 31:

<u>Years Ending</u>	<u>Amount</u>
2025	\$6,754
2026	7,134
2027	7,536
2028	<u>5,260</u>
Total	<u>\$26,684</u>

The interest expense on the note payable for the years ended December 31, 2024 and 2023 was \$1,657 and \$1,997, respectively.

**Note 9 SUBSEQUENT EVENTS**

Management has evaluated subsequent events for potential recognition or disclosure through April 10, 2025, the date that the financial statements were available to be issued.