

Asociación de Tenis de Puerto Rico, Inc. (PRTA)
(A Non-Profit Organization)

Independent Auditor's Report

Financial Statements

Years Ended December 31, 2022 and 2021

ASOCIACION DE TENIS DE PUERTO RICO, INC. (PRTA)
(A Non-Profit Organization)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position as of December 31, 2022 and 2021	3
Statements of Activities for the years ended December 31, 2022 and 2021	4
Statements of Functional Expenses for the years ended December 31, 2022 and 2021	5
Statements of Cash Flows for the years ended December 31, 2022 and 2021	6
Notes to Financial Statement	7-13

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Asociación de Tenis de Puerto Rico, Inc. (PRTA):

Opinion

I have audited the accompanying financial statements of Asociación de Tenis de Puerto Rico, Inc. (PRTA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asociación de Tenis de Puerto Rico, Inc. (PRTA) as of December 31, 2022 and 2021, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Asociación de Tenis de Puerto Rico, Inc. (PRTA) and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Asociación de Tenis de Puerto Rico, Inc. (PRTA)'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 the Financial Statements

My 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 my 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 generally accepted auditing standards 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, including omissions, 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.

CPA FRANCISCO J. GARRIDO MOLINA

In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Asociación de Tenis de Puerto Rico, Inc. (PRTA)'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Asociación de Tenis de Puerto Rico, Inc. (PRTA)'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

March 31, 2023

Francisco J. Garrido
License # 4813
San Juan, Puerto Rico
Stamp # E430495 was affixed to the original of this report.



ASOCIACION DE TENIS DE PUERTO RICO, INC. (PRTA)
(A Non-Profit Organization)
Statements of Financial Position
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,166,479	\$ 1,058,803
Contributions receivable	46,951	115,627
Other receivable	18,005	42,243
Prepaid expenses and other current assets	20,466	14,250
Total current assets	<u>1,251,901</u>	<u>1,230,923</u>
PROPERTY AND EQUIPMENT:		
Land	84,717	84,717
Office Building	393,048	393,048
Office Building Improvements	280,313	280,313
CTH Leasehold Improvements	196,979	195,755
Equipment	101,066	102,296
Total	<u>1,056,123</u>	<u>1,056,129</u>
Less: accumulated depreciation and amortization	403,403	354,260
Total property and equipment, net	<u>652,720</u>	<u>701,869</u>
TOTAL ASSETS	<u><u>1,904,621</u></u>	<u><u>1,932,792</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	28,935	38,290
Mortgage payable (note 2)	-	5,823
Total current liabilities	<u>28,935</u>	<u>44,113</u>
LONG TERM DEBT (NOTE 2)	<u>-</u>	<u>70,163</u>
TOTAL LIABILITIES	<u>28,935</u>	<u>114,276</u>
NET ASSETS		
Without donor restrictions	1,522,500	1,453,961
With donor restrictions	353,186	364,555
TOTAL NET ASSETS	<u>1,875,686</u>	<u>1,818,516</u>
TOTAL	<u><u>\$ 1,904,621</u></u>	<u><u>\$ 1,932,792</u></u>

See notes to financial statements

ASOCIACION DE TENIS DE PUERTO RICO, INC. (PRTA)
(A Non-Profit Organization)
Statements of Activities
Years ended December 31, 2022 and 2021

	2022			2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:						
Tournaments	\$ 155,721		\$ 155,721	\$ 98,866		\$ 98,866
Tennis center	321,832		321,832	262,002		262,002
Government grants	63,916		63,916	28,190		28,190
High performance	14,812		14,812	6,605		6,605
Sectional distribution	81,038		81,038	142,638		142,638
Other support and revenues	72,579	-	72,579	80,415	1,000	81,415
Net assets released from restrictions	11,369	(11,369)	-	9,294	(9,294)	-
Total support and revenues	721,267	(11,369)	709,898	628,010	(8,294)	619,716
Expenses:						
Programs:						
Tennis programs	427,099	-	427,099	242,796	-	242,796
Supporting services:						
Management and general	121,906	-	121,906	127,376	-	127,376
Fundraising	103,723	-	103,723	79,727	-	79,727
Total support services	225,629	-	225,629	207,103	-	207,103
Total expenses	652,728	-	652,728	449,899	-	449,899
Change in net assets	68,539	(11,369)	57,170	178,111	(8,294)	169,817
Net assets, beginning of year	1,453,961	364,555	1,818,516	1,275,850	372,849	1,648,699
Net assets, end of year	\$ 1,522,500	\$ 353,186	\$ 1,875,686	\$ 1,453,961	\$ 364,555	\$ 1,818,516

See notes to financial statements

ASOCIACION DE TENIS DE PUERTO RICO, INC. (PRTA)
(A Non-Profit Organization)
Statements of Functional Expenses
Years ended December 31, 2022 and 2021

	2022			
	<u>Tennis Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 87,333	\$ 48,633	\$ 50,457	\$ 186,423
Professional services	53,606	11,430	-	65,036
Team travel	113,575	-	-	113,575
Office expenses	6,576	30,668	-	37,244
Tennis equipment	21,991	-	37,390	59,381
Dues and affiliations	-	6,250	-	6,250
Marketing	4,606	-	-	4,606
Depreciation	15,876	20,388	15,876	52,140
Interest	-	1,535	-	1,535
Other	123,536	3,002	-	126,538
	<u>\$ 427,099</u>	<u>\$ 121,906</u>	<u>\$ 103,723</u>	<u>\$ 652,728</u>

	2021			
	<u>Tennis Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 64,280	\$ 46,877	\$ 38,789	\$ 149,946
Professional services	15,842	14,163	-	30,005
Team travel	40,418	488	-	40,906
Office expenses	5,326	27,557	-	32,883
Tennis equipment	10,395	-	24,599	34,994
Dues and affiliations	-	13,126	-	13,126
Marketing	1,133	-	-	1,133
Depreciation	15,775	20,441	15,775	51,991
Interest	-	4,724	-	4,724
Other	89,627	-	564	90,191
	<u>\$ 242,796</u>	<u>\$ 127,376</u>	<u>\$ 79,727</u>	<u>\$ 449,899</u>

See notes to financial statements

ASOCIACION DE TENIS DE PUERTO RICO, INC. (PRTA)
(A Non-Profit Organization)
Statements of Cash Flows
Years ended December 31, 2022 and 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	2022	2021
Increase (decrease) in net assets	\$ 57,170	\$ 169,817
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,139	51,991
Changes in operating assets and liabilities:		
Contributions receivable	68,676	(105,108)
Other receivable	24,238	(15,861)
Prepaid expenses and other current assets	(6,216)	263
Accounts payable and accrued expenses	(9,355)	7,709
	<u>186,652</u>	<u>108,811</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures, net	<u>(2,990)</u>	<u>(2,368)</u>
Net cash used in investing activities	(2,990)	(2,368)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans	<u>(75,986)</u>	<u>(5,537)</u>
Net cash used in financing activities	(75,986)	(5,537)
NET CHANGE IN CASH	<u>107,676</u>	<u>100,906</u>
CASH, BEGINNING OF YEAR	<u>1,058,803</u>	<u>957,897</u>
CASH, END OF YEAR	<u><u>\$ 1,166,479</u></u>	<u><u>\$ 1,058,803</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,535	\$ 4,724

See notes to financial statements

ASOCIACION DE TENIS DE PUERTO RICO, INC. (PRTA)
(A Non-Profit Organization)
Notes to Financial Statements
Years ended December 31, 2022 and 2021

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Asociación de Tenis de Puerto Rico, Inc. (PRTA) (the “Association”) is a non-profit organization under the laws of the Commonwealth of Puerto Rico whose principal purpose is to promote the amateur and professional game of tennis. The Association qualifies as a tax-exempt organization under the existing provisions of the income tax law of the Commonwealth of Puerto Rico.

Covid- 19

The novel coronavirus (Covid-19) pandemic in 2020 resulted in challenging operating environments and affected the Association’s operations as a result of travel bans and restrictions, quarantines, curfews, restrictions on public gatherings, business shutdowns and closures. The Association expects that the Covid-19 pandemic will continue to impact the operations, including the employees, players, suppliers and other third parties with which the Association does business. The extent to which the COVID- 19 pandemic will impact the future operations and financial results remains uncertain and will continue to depend on numerous evolving factors outside the Association’s control.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-for-Profit Entities, which requires that all not-for-profit organizations provide information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association’s management and the board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Accounting changes

In February 2016, the FASB issued ASU 2016, Leases, which requires lessees to recognize on the balance sheet a right-of-use asset, representing their right to use the underlying asset for the lease term, and the lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative disclosures designed to assess the amount, timing and uncertainty of cash flow as arising from leases. The Company adopted the new guidance on January 1, 2022.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less when purchased. The Association's cash consists of cash on deposit with banks.

Concentration of Credit Risk

Financial instruments that potentially subject the Association to a concentration of credit risk are cash and cash equivalents. Management maintains a majority of their day to day operating cash balances with one major financial institution; cash balances may be in excess of FDIC insurance limits. The Association invests in another financial institution its temporary excess cash in certificates of deposits. CD balances are within FDIC insurance limits.

Contribution Receivable

Contribution receivables are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contribution receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance of uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year their due dates are written off unless the donors indicate that payment is merely postponed.

Property and Equipment

Property and equipment are recorded at cost at the date of the purchase or, when donated, at the fair value at the time of donation. Depreciation and amortization are computed using the straight-line method based on the useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred, while expenditures for renewals and betterments are generally capitalized. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Fair Value of Financial Instruments

The carrying amount of the Association's cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value because of the short maturity of those instruments.

Accounting for Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net asset with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Support and Revenues

Support and revenues include donations made by the government, private entities and individuals to sponsor tennis tournaments through grants, tournament fees, admission fees, sale of merchandise and other special events. Donations are considered unrestricted unless they are designated by the donor for a specific use. Admission revenues are recorded when the tickets are used, and tournament fees are recorded as revenues on the date the activity occurs. Merchandise sales are recorded as revenues upon transfer of the goods to the purchaser. Other revenues and admission fees received in advance of their usage are classified as deferred program revenue.

The Organization follows Accounting Standards Update No. 2014-09- Revenue from Contracts with Customers (Topic 606) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

During year 2021, the Association applied for Covid related assistance to the IRS's Employee Retention Credit amounting to \$39,392. As of December 31, 2022 and 2021, the Association recorded an other receivable relating to the Employee Retention Credit amounting to \$18,005 and \$42,243, respectively.

Contributed Services

Contributed services are not reflected in the financial statements since they are not susceptible to objective measurement of valuation. However, a number of unpaid volunteers have made time contributions to develop and maintain the Association.

Sectional Distribution

The sectional distribution is an allocation of approximately 92% received from the Caribbean Tennis Association, Inc. (“CTA”) based on the membership of the Puerto Rico Tennis Association, Inc. During 2022 and 2021, a special sectional distribution grant amounting to \$18,400 and \$80,000 was awarded by the CTA, respectively.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among tennis programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include salary and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and rent, which are allocated on a square footage basis.

Leases

For any new or modified lease, the Company, at the inception of the contract, determines whether a contract is or contains a lease. The Company records right-of-use (“ROU”) assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. The Company has made an accounting policy to apply a risk-free rate as the discount rate used to measure lease liabilities and right-of-use assets at commencement of a lease. Upon the adoption of the new guidance, the Company has elected to apply the following package practical expedients:

- Contracts, prior to the adoption date, need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- As an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.

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 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.

Subsequent Events

The Association has evaluated subsequent events through March 31, 2023, the date the financial statements were available to be issued.

NOTE 2- LONG TERM DEBT

As of December 31, 2021, long term debt consisted of note payable collateralized by land and building. The \$100,000 note was issued by board of directors' member Ruben A. Jordan and had an interest of 5% and was due on March 2032. The monthly payment starting on April 2017 was \$790.79 and included principal and interest. During 2022, the loan was liquidated, and no balance was outstanding as of December 31, 2022. Mr. Ruben A. Jordan is part of a 15-member board of directors with voting rights.

NOTE 3- AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at December 31, 2022 and 2021:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$1,166,479	\$1,058,803
Contribution receivable	46,951	115,627
Other receivable	18,005	42,243
Total financial assets	1,231,435	1,216,673
Less amounts not available to be used within one year:		
Net assets with donor restrictions	364,555	364,555
Less net assets with purpose restrictions to be met in less than a year	-	(11,369)
Financial assets available to meet general expenditures over the next twelve months	\$1,231,435	\$1,205,304

The Association's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$175K). As part of its liquidity plan, excess cash is invested in short-term investments, including certificate of deposits.

NOTE 4- RESTRICTED NET ASSETS

Net assets with donor restrictions at December 31, 2022, are available for the following purposes:

Purpose restrictions, available for spending:

Facility disaster support	\$314,893
Parque Central renovations	\$ 4,965
Capacity building grant	\$ 12,000
Program directed grant	\$ 264
Program return directed grant	\$ 20,000
ITF program grant	\$ 1,000
Youth tennis economic assistance	\$ 64

Total net assets with donor restrictions \$353,186

NOTE 4- RESTRICTED NET ASSETS (Cont.)

Net assets with donor restrictions at December 31, 2021, are available for the following purposes:

Purpose restrictions, available for spending:

Facility disaster support	\$314,893
Parque Central renovations	\$ 4,965
Capacity building grant	\$ 12,000
Program directed grant	\$ 11,633
Program return directed grant	\$ 20,000
ITF program grant	\$ 1,000
Youth tennis economic assistance	\$ 64

Total net assets with donor restrictions \$364,555

For the years ended December 31, 2022 and 2021, net assets released from restrictions amounted to \$11,369 and \$9,294, respectively.

NOTE 5- EMPLOYEE BENEFIT PLAN

The Association has a tax-deferred 401k plan covering all employees. The assets are held for each employee in an individual account maintained by an investment firm. The association match is 50% of each qualified employee's basic contributions and 100% of each qualified employee's basis contributions with 30 years of service. Plan contribution during the years ended December 31, 2022 and 2021 totaled \$4,081 and \$3,042, respectively.

NOTE 6- RELATED PARTY TRANSACTIONS

The Association is affiliated with the non-profit organization Caribbean Tennis Association, Inc. ("CTA").

The Association received the following contributions from the CTA:

	2022	2021
District distribution	\$ 81,038	\$142,638
CTH facility fee	\$ 25,884	\$ 18,001
Marketing fee	\$ 16,640	\$ -
Rent	\$ 36,000	\$ 36,000
Grant	\$ 28,000	\$ 28,000

As of December 31, 2022 and 2021, the amount due from CTA amounted to \$18,400 and \$80,000, respectively.

NOTE 6- RELATED PARTY TRANSACTIONS (Cont.)

The Association shares facilities and administrative personnel with CTA. Each entity pays an estimated proportional share of such costs. Since May 2013, CTA occupies office space at PRTA facilities. On November 13, 2018, PRTA and CTA entered into an office facility lease agreement starting January 1, 2019. Under this agreement, the monthly rent will be \$3,000 and office space related expenses such as utilities and other general expenses will be shared by both entities. During 2022 and 2021, CTA contributed to office maintenance \$28,342 and \$9,389, respectively.

NOTE 7- COMMITMENTS AND CONTINGENCIES

Commitments

The Association has entered into an agreement with Municipio de San Juan for the renovation, future operation and maintenance of the Parque Central of San Juan's tennis courts facilities. The total cost of this renovation is estimated to be approximately \$285,000. The renovations and the Association's commitment in this agreement will commence once Municipio de San Juan finalizes several infrastructure repairs and maintenance in the facilities. The Association has agreed to pay rent amounting to \$1 per year for the first three years after the renovations are completed. Future rent will be determined by Municipio de San Juan and the Association based on fair market value and income generated from operating the tennis courts facilities.

The Association has entered into a ten-year agreement dated May 2018 with Municipio de Bayamon for the operation and maintenance of "Centro de Canchas de Tenis". The costs of the repairs and maintenance of the facilities will be assumed by the Association.