

USA GOLF FEDERATION, INC.  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

USA GOLF FEDERATION, INC.

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ERWIN, FOUNTAIN & JACKSON, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
USA Golf Federation, Inc.

We have audited the accompanying financial statements of USA Golf Federation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

The Organization's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

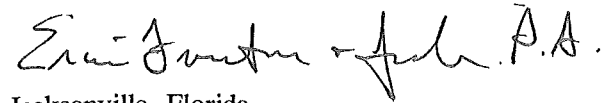
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

INDEPENDENT AUDITORS' REPORT

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Golf Federation, Inc. as of December 31, 2012 and 2011, 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.



Jacksonville, Florida  
September 7, 2013

**USA GOLF FEDERATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 47,434	\$ -
Prepaid expenses	<u>435</u>	<u>-</u>
<i>TOTAL CURRENT ASSETS</i>	<u>47,869</u>	<u>-</u>
<b>OTHER ASSETS</b>		
Trademarks	<u>1,625</u>	<u>325</u>
<i>TOTAL ASSETS</i>	<u>\$ 49,494</u>	<u>\$ 325</u>
<b>LIABILITIES AND NET (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accrued liabilities	\$ 9,820	\$ 3,116
Current portion of long-term debt -- Note B	<u>15,000</u>	<u>-</u>
<i>TOTAL CURRENT LIABILITIES</i>	<u>24,820</u>	<u>3,116</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion -- Note B	<u>45,000</u>	<u>-</u>
<i>TOTAL LIABILITIES</i>	<u>69,820</u>	<u>3,116</u>
<b>NET (DEFICIT) - UNRESTRICTED</b>	<u>(20,326)</u>	<u>(2,791)</u>
<i>TOTAL LIABILITIES AND NET (DEFICIT)</i>	<u>\$ 49,494</u>	<u>\$ 325</u>

USA GOLF FEDERATION, INC.  
 STATEMENTS OF ACTIVITIES  
 Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
SUPPORT AND REVENUE		
Donated services	\$ 29,797	\$ -
Interest income	<u>27</u>	<u>-</u>
<i>TOTAL SUPPORT AND REVENUE</i>	<u>29,824</u>	<u>-</u>
EXPENSES		
Management and general	<u>47,359</u>	<u>2,791</u>
CHANGE IN NET (DEFICIT)	(17,535)	(2,791)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(2,791)</u>	<u>-</u>
<i>NET (DEFICIT) AT END OF YEAR</i>	<u>\$ (20,326)</u>	<u>\$ (2,791)</u>

USA GOLF FEDERATION, INC.  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	\$ 27	\$ -
Cash paid to suppliers	<u>(12,593)</u>	<u>-</u>
<i>Net Cash (Used) by Operating Activities</i>	<u>(12,566)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	<u>60,000</u>	<u>-</u>
<i>Net Cash Provided by Financing Activities</i>	<u>60,000</u>	<u>-</u>
Net increase in cash and cash equivalents	47,434	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 47,434</u>	<u>\$ -</u>

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES** – USA Golf Federation, Inc. (“USA Golf”) is a nonprofit organization formed in 2011, to pursue competitive success in Olympic, Paralympic or Pan American competition and to contribute to the development of future elite American golfers. USA Golf has been recognized by the United States Olympic Committee as the national governing body that will officially name and manage the men’s and women’s U.S. Olympic Golf Teams.

**BASIS OF ACCOUNTING** – The financial statements of USA Golf have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**ESTIMATES** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS** – For the purposes of the Statements of Cash Flows, USA Golf considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**DONATED SERVICES** – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by USA Golf.

**INTANGIBLE ASSETS** – Intangible assets consist of trademarks in the amount of \$1,625 and \$325 at December 31, 2012 and 2011, respectively. The trademarks are not required to be amortized.

**EXPENSE ALLOCATION** – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of USA Golf.

**INCOME TAX STATUS** – USA Golf has filed an application with the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As of the date of the financial statements, the application has not yet been approved.



USA GOLF FEDERATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2012 and 2011

**NOTE B -- LONG-TERM DEBT**

Long-term debt consists of financing arrangements with affiliated entities to provide working capital.

Notes payable consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Note payable to affiliated entity, due in monthly installments of interest only (3.00% per annum) with an annual principal payment of \$3,750, maturing January 2016. The note is unsecured.	\$ 15,000	\$ -
Note payable to affiliated entity, due in monthly installments of interest only (3.00% per annum) with an annual principal payment of \$3,750, maturing January 2016. The note is unsecured.	15,000	-
Note payable to affiliated entity, due in monthly installments of interest only (3.00% per annum) with an annual principal payment of \$3,750, maturing January 2016. The note is unsecured.	15,000	-
Note payable to affiliated entity, due in monthly installments of interest only (3.00% per annum) with an annual principal payment of \$3,750, maturing January 2016. The note is unsecured.	<u>15,000</u>	<u>-</u>
	60,000	-
Less: current portion	<u>(15,000)</u>	<u>-</u>
	<u>\$ 45,000</u>	<u>\$ -</u>

Accrued interest totaled \$820 at December 31, 2012.

The future scheduled maturities of long-term debt are as follows:

Years Ending December 31:

2013	
2014	\$ 15,000
2015	15,000
2016	15,000
	<u>15,000</u>
	<u>\$ 60,000</u>

**USA GOLF FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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**NOTE C -- DONATED SERVICES**

The fair value of donated services included as contributions in the financial statements and the corresponding management and general expenses for the year ending December 31, 2012 are as follows:

Wages, payroll taxes and benefits	<u>\$ 29,797</u>
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**NOTE D -- RELATED ENTITIES**

Founding members of USA Golf include the following related entities:

- Ladies Professional Golf Association (LPGA)
- PGA of America (PGAA)
- PGA TOUR, Inc. (PGA TOUR)
- United States Golf Association (USGA)

Each founding member is responsible for selecting one permanent director to sit on the Board of Directors.

**NOTE E -- RELATED PARTY TRANSACTIONS**

Each of the founding members (Note D) provided \$15,000 in financing agreements to USA Golf (Note B). The amount of financing contributed totaled \$60,000 for the year ended December 31, 2012.

The PGA TOUR, Inc. provided contributed services totaling \$29,797 related to wages, taxes and benefits of the executive director of USA Golf. The executive director of USA Golf is an employee of the PGA TOUR.

**NOTE F -- CONCENTRATION OF RISK**

USA Golf maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Corporation (FDIC) up to \$250,000. At December 31, 2012 and 2011, uninsured balances totaled \$-0- for both years.

**NOTE G -- SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 7, 2013, which is the date the financial statements were available to be issued.