

USA GOLF FEDERATION, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

USA GOLF FEDERATION, INC.

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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, 2013 and 2012, 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

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.

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, 2013 and 2012, 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.

Erwin, Fountain & Jackson, P.A.

Jacksonville, Florida

November 10, 2014

USA GOLF FEDERATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 64,285	\$ 47,434
Miscellaneous receivables	14,402	-
Prepaid expenses	<u>467</u>	<u>435</u>
<i>TOTAL CURRENT ASSETS</i>	<u>79,154</u>	<u>47,869</u>
OTHER ASSETS		
Trademarks	3,655	1,625
Other	<u>420</u>	<u>-</u>
	<u>4,075</u>	<u>1,625</u>
<i>TOTAL ASSETS</i>	<u>\$ 83,229</u>	<u>\$ 49,494</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued liabilities	\$ 16,508	\$ 9,820
Current portion of long-term debt -- Note B	<u>15,000</u>	<u>15,000</u>
<i>TOTAL CURRENT LIABILITIES</i>	<u>31,508</u>	<u>24,820</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion -- Note B	<u>30,000</u>	<u>45,000</u>
<i>TOTAL LIABILITIES</i>	<u>61,508</u>	<u>69,820</u>
NET ASSETS (DEFICIT) - UNRESTRICTED	<u>21,721</u>	<u>(20,326)</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 83,229</u>	<u>\$ 49,494</u>

USA GOLF FEDERATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
SUPPORT AND REVENUE		
Donated services	\$ 32,362	\$ 29,797
Digital media fees	25,000	-
Apparel licensing fees	39,402	-
Contributions	20	-
Interest income	<u>47</u>	<u>27</u>
<i>TOTAL SUPPORT AND REVENUE</i>	<u>96,831</u>	<u>29,824</u>
EXPENSES		
Management and general	<u>54,784</u>	<u>47,359</u>
CHANGE IN NET ASSETS (DEFICIT)	42,047	(17,535)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(20,326)</u>	<u>(2,791)</u>
<i>NET ASSETS (DEFICIT) AT END OF YEAR</i>	<u>\$ 21,721</u>	<u>\$ (20,326)</u>

USA GOLF FEDERATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received – licensing and rights fees	\$ 50,000	\$ -
Cash received – contributions	20	-
Interest received	47	27
Cash paid to suppliers	(14,946)	(11,293)
Interest paid	<u>(820)</u>	<u>-</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>34,301</u>	<u>(11,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other assets	<u>(2,450)</u>	<u>(1,300)</u>
<i>Net Cash (Used) by Investing Activities</i>	<u>(2,450)</u>	<u>(1,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	60,000
Payments on long-term debt	<u>(15,000)</u>	<u>-</u>
<i>Net Cash Provided (Used) by Financing Activities</i>	<u>(15,000)</u>	<u>60,000</u>
Net increase in cash and cash equivalents	16,851	47,434
Cash and cash equivalents, beginning of year	<u>47,434</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 64,285</u>	<u>\$ 47,434</u>
Reconciliation of change in net assets (deficit) to net cash provided (used) by operating activities:		
Change in net assets (deficit)	\$ 42,047	\$ (17,535)
Adjustments to reconcile change in net assets (deficit) to net cash provided (used) by operating activities:		
(Increase) Decrease in miscellaneous receivables	(14,402)	-
(Increase) Decrease in prepaid expenses	(32)	(435)
Increase (Decrease) in accrued liabilities	<u>6,688</u>	<u>6,704</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 34,301</u>	<u>\$ (11,266)</u>

USA GOLF FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

ACCOUNTS RECEIVABLE – Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. At December 31, 2013, management considered all accounts receivable to be collectible. Accordingly, there was no allowance for doubtful accounts.

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 \$3,655 and \$1,625 at December 31, 2013 and 2012, 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 – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

USA GOLF FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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>2013</u>	<u>2012</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.	\$ 11,250	\$ 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.	11,250	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.	11,250	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>11,250</u>	<u>15,000</u>
	45,000	60,000
Less: current portion	<u>(15,000)</u>	<u>(15,000)</u>
	<u>\$ 30,000</u>	<u>\$ 45,000</u>

Accrued interest totaled \$1,322 and \$820 at December 31, 2013 and 2012, respectively.

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

Years Ending December 31:

2014	\$ 15,000
2015	15,000
2016	<u>15,000</u>
	<u>\$ 45,000</u>

NOTE C -- AGREEMENTS

The Organization has digital media and apparel licensing agreements which expire in December 2016.

USA GOLF FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE D -- DONATED SERVICES

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

	<u>2013</u>	<u>2012</u>
Wages, payroll taxes and benefits	<u>\$ 32,362</u>	<u>\$ 29,797</u>

NOTE E -- 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 F -- RELATED PARTY TRANSACTIONS

Each of the founding members (Note E) provided \$15,000 in financing agreements to USA Golf (Note B). The amount of financing contributed totaled \$-0- and \$60,000 for the years ended December 31, 2013 and 2012, respectively.

The PGA TOUR, Inc. provided contributed services totaling \$32,362 and \$29,797 related to wages, taxes and benefits of the executive director of USA Golf for the years ending December 31, 2013 and 2012, respectively. The executive director of USA Golf is an employee of the PGA TOUR.

NOTE G -- 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, 2013 and 2012, uninsured balances totaled \$-0- for both years.

NOTE H -- INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2013 and 2012.

NOTE I -- RECLASSIFICATION

Certain amounts in the prior year financial statement have been reclassified to conform to the current year presentation.

NOTE J -- SUBSEQUENT EVENTS

Subsequent events were evaluated through November 10, 2014, which is the date the financial statements were available to be issued.