

USA GOLF FEDERATION, INC.  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

USA GOLF FEDERATION, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of  
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, 2015 and 2014, 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.

Page 2

INDEPENDENT AUDITOR'S 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, 2015 and 2014, 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 9, 2016

**USA GOLF FEDERATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 164,842	\$ 102,284
Accounts receivable	50,000	-
Miscellaneous receivables	28,265	33,077
Prepaid expenses	<u>1,198</u>	<u>6,478</u>
<i>TOTAL CURRENT ASSETS</i>	<u>244,305</u>	<u>141,839</u>
<b>OTHER ASSETS</b>		
Trademarks	3,655	3,655
Web-site costs net of accumulated amortization of \$162 in 2015 and \$87 in 2014	<u>588</u>	<u>663</u>
	<u>4,243</u>	<u>4,318</u>
<i>TOTAL ASSETS</i>	<u>\$ 248,548</u>	<u>\$ 146,157</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 7,000	\$ 18,072
Current portion of long-term debt -- Note B	<u>-</u>	<u>15,000</u>
<i>TOTAL CURRENT LIABILITIES</i>	<u>7,000</u>	<u>33,072</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion -- Note B	<u>-</u>	<u>15,000</u>
<i>TOTAL LIABILITIES</i>	<u>7,000</u>	<u>48,072</u>
<b>NET ASSETS - UNRESTRICTED</b>	<u>241,548</u>	<u>98,085</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 248,548</u>	<u>\$ 146,157</u>

**USA GOLF FEDERATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2015 and 2014**

---

	<u>2015</u>	<u>2014</u>
<b>SUPPORT AND REVENUE - UNRESTRICTED</b>		
Donated services	\$ 57,588	\$ 33,879
Digital media fees	25,108	25,000
Apparel licensing fees	120,188	68,675
Sponsorships	25,000	-
Interest income	<u>59</u>	<u>81</u>
<b><i>TOTAL SUPPORT AND REVENUE</i></b>	<u>227,943</u>	<u>127,635</u>
<b>EXPENSES</b>		
Management and general	<u>84,480</u>	<u>51,271</u>
<b>CHANGE IN NET ASSETS - UNRESTRICTED</b>	143,463	76,364
<b>NET ASSETS AT BEGINNING OF YEAR - UNRESTRICTED</b>	<u>98,085</u>	<u>21,721</u>
<b><i>NET ASSETS AT END OF YEAR</i></b>		
- <i>UNRESTRICTED</i>	<u>\$ 241,548</u>	<u>\$ 98,085</u>

*See accompanying notes to financial statements*

**USA GOLF FEDERATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received – licensing and rights fees	\$ 100,108	\$ 75,000
Cash received – sponsorships	25,000	-
Interest received	59	81
Cash paid to suppliers	(31,710)	(20,431)
Interest paid	<u>(899)</u>	<u>(1,321)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>92,558</u>	<u>53,329</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Website costs	<u>-</u>	<u>(330)</u>
<i>Net Cash (Used) by Investing Activities</i>	<u>-</u>	<u>(330)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	<u>(30,000)</u>	<u>(15,000)</u>
<i>Net Cash (Used) by Financing Activities</i>	<u>(30,000)</u>	<u>(15,000)</u>
Net increase in cash and cash equivalents	62,558	37,999
Cash and cash equivalents, beginning of year	<u>102,284</u>	<u>64,285</u>
Cash and cash equivalents, end of year	<u>\$ 164,842</u>	<u>\$ 102,284</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 143,463	\$ 76,364
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization	75	87
(Increase) Decrease in accounts receivable	(50,000)	-
(Increase) Decrease in miscellaneous receivables	4,812	(18,675)
(Increase) Decrease in prepaid expenses	5,280	(6,011)
Increase (Decrease) in accounts payable and accrued liabilities	<u>(11,072)</u>	<u>1,564</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 92,558</u>	<u>\$ 53,329</u>

**USA GOLF FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

---

**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.

**BASIS OF PRESENTATION** – The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operation, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and other that are entered into in the course of its operation.

Temporarily restricted net assets are resources subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to the donor’s stipulations.

Permanently restricted net assets are resources from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

**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. Management believes that the estimates and assumptions are reasonable in the circumstances; however, 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** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. At December 31, 2015 and 2014, respectively, 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.



**USA GOLF FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

---

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INTANGIBLE ASSETS** – Intangible assets consist of trademarks in the amount of \$3,655 and \$3,655 at December 31, 2015 and 2014, respectively. The trademarks are not required to be amortized.

**WEB-SITE DESIGN COSTS** – Capitalized costs incurred in the development and design of the Organization’s web-site total \$750. The costs are being amortized over a 10-year period.

**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.

**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>2015</u>	<u>2014</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.	\$ -	\$ 7,500
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.	-	7,500
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.	-	7,500
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>-</u>	<u>7,500</u>
	-	30,000
Less: current portion	<u>-</u>	<u>(15,000)</u>
	<u>\$ -</u>	<u>\$ 15,000</u>

Accrued interest totaled \$0- and \$881 at December 31, 2015 and 2014, respectively.

**USA GOLF FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

---

**NOTE C -- AGREEMENTS**

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

**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>2015</u>	<u>2014</u>
Wages, payroll taxes and benefits	<u>\$ 57,588</u>	<u>\$ 33,879</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 \$-0- for the years ended December 31, 2015 and 2014, respectively.

The PGA TOUR, Inc. provided contributed services totaling \$57,588 and \$33,879 related to wages, taxes and benefits of the executive director of USA Golf for the years ending December 31, 2015 and 2014 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, 2015 and 2014, uninsured balances totaled \$-0- for both years.

**USA GOLF FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

---

**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, 2015 and 2014. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest or penalties were recorded during the years ended December 31, 2015 and 2014, respectively. Generally, the tax years before 2012 are no longer subject to examination by federal, state, or local taxing authorities.

**NOTE I -- SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 9, 2016, which is the date the financial statements were available to be issued.