

USA GOLF FEDERATION, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

USA GOLF FEDERATION, INC.

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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, 2020 and 2019, 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, 2020 and 2019, 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
December 13, 2021

USA GOLF FEDERATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 686,937	\$ 659,421
Prepaid expenses	<u>1,804</u>	<u>1,606</u>
<i>TOTAL CURRENT ASSETS</i>	<u>688,741</u>	<u>661,027</u>
OTHER ASSETS		
Trademarks	3,655	3,655
Web-site costs net of accumulated amortization of \$462 in 2020 and \$387 in 2019	<u>213</u>	<u>288</u>
	<u>3,868</u>	<u>3,943</u>
<i>TOTAL ASSETS</i>	<u>\$ 692,609</u>	<u>\$ 664,970</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 9,474	\$ 9,000
Deferred revenue -- NOTE C	<u>32,415</u>	<u>-</u>
<i>TOTAL CURRENT LIABILITIES</i>	<u>41,889</u>	<u>9,000</u>
<i>TOTAL LIABILITIES</i>	<u>41,889</u>	<u>9,000</u>
NET ASSETS – WITHOUT DONOR RESTRICTIONS	<u>650,720</u>	<u>655,970</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 692,609</u>	<u>\$ 664,970</u>

USA GOLF FEDERATION, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended December 31, 2020 and 2019

	WITHOUT DONOR RESTRICTIONS <u>2020</u>	WITHOUT DONOR RESTRICTIONS <u>2019</u>
SUPPORT AND REVENUE		
Donated services – NOTE E	\$ 36,444	\$ 41,847
Digital media fees	28,268	26,942
Apparel licensing fees	<u>-</u>	<u>200,000</u>
<i>TOTAL SUPPORT AND REVENUE</i>	<u>64,712</u>	<u>268,789</u>
FUNCTIONAL EXPENSES – NOTE B		
Program services	6,738	6,336
Management and general	<u>63,224</u>	<u>66,622</u>
<i>TOTAL FUNCTIONAL EXPENSES</i>	69,962	72,958
<i>CHANGE IN NET ASSETS</i>	(5,250)	195,831
<i>NET ASSETS AT BEGINNING OF THE YEAR</i>	<u>655,970</u>	<u>460,139</u>
<i>NET ASSETS AT END OF YEAR</i>	<u>\$ 650,720</u>	<u>\$ 655,970</u>

USA GOLF FEDERATION, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received – licensing and rights fees	\$ 28,268	\$ 226,942
Cash received – other	49,557	5,801
Cash paid to suppliers	<u>(50,309)</u>	<u>(42,534)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>27,516</u>	<u>190,209</u>
Net increase in cash and cash equivalents	27,516	190,209
Cash and cash equivalents, beginning of year	<u>659,421</u>	<u>469,212</u>
Cash and cash equivalents, end of year	<u>\$ 686,937</u>	<u>\$ 659,421</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (5,250)	\$ 195,831
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization	75	75
(Increase) decrease in operating assets:		
(Increase) Decrease in miscellaneous receivables	-	50,000
(Increase) Decrease in prepaid expenses	(198)	4,499
Increase (decrease) in operating liabilities:		
Increase (Decrease) in accounts payable and accrued liabilities	474	(10,196)
Increase (Decrease) in deferred revenue	<u>32,415</u>	<u>(50,000)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 27,516</u>	<u>\$ 190,209</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.

ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods or services. ASU 2014-09, as deferred by ASU 2020-05, is effective for annual reporting periods beginning after December 15, 2019. The Organization adopted ASU 2014-09 effective January 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not materially impact the timing and measurement of revenue recognition. As a result, the Organization did not recognize a cumulative effect adjustment to the opening balance of net assets.

In June 2018, the FASB issued ASU 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies the criteria for evaluating whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 on January 1, 2020, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the Organization’s financial statements.

Statement of Cash Flows: Restricted Cash

On November 17, 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such totals to amounts on the balance sheet and disclose the nature of the restrictions. This new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. USA Golf adopted this standard effective January 1, 2019. The Organization has determined that the effects of this change on the Organization’s financial statements is not material.

BASIS OF PRESENTATION – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, USA Golf’s net assets and changes thereto are classified and reported as follows:

Net assets without donor restrictions – consists of amounts that are available for use in carrying out the supporting activities of USA Golf and are not subject to donor-imposed stipulations.

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

Net assets with donor restrictions – consists of amounts subject to donor imposed restrictions. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. USA Golf did not have any net assets with donor restrictions at December 31, 2020 and 2019, respectively.

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.

CONTRIBUTIONS – Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or absence and nature of any donor restriction.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the statement of activities as net assets released from restriction.

Revenue is recognized when earned. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

DIGITAL MEDIA FEES – Digital media fee revenues are recognized as earned based upon the number of unique visits to the Organization's web-site.

APPAREL ROYALTY FEES – Revenues from the licensing and sale of official competition apparel is recognized upon (1) the earning of an annual minimum guaranteed royalty fee and (2) 10% of adjusted apparel sales over the annual minimum guaranteed royalty payment.

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.

GIFTS-IN-KIND – Gifts-In-Kind are recorded at fair value as contributions and as an asset or expense in the period received.

INTANGIBLE ASSETS – Intangible assets consist of trademarks in the amount of \$3,655 at December 31, 2020 and 2019, 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.

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

FUNCTIONAL ALLOCATION OF EXPENSES – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

LIQUIDITY – Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities, according to their nearness of their maturity, and resulting use of cash.

INCOME TAX STATUS – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

INCOME TAXES – USA Golf is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state taxes under similar provisions of the Florida statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements. USA Golf files the required annual federal informational return for tax-exempt organizations.

USA Golf identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. USA Golf has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, USA Golf would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

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.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

This new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. USA Golf currently does not expect any impact on the pending adoption of the new standard on its financial statements.

USA GOLF FEDERATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2020 and 2019

NOTE B – SCHEDULES OF FUNCTIONAL EXPENSES

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits and payroll taxes which are allocated on the basis of estimates of time and effort.

The schedules of functional expenses are as follows for the years ended December 31:

2020

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Olympic Games</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>	
Compensation and related expenses:					
Salaries	\$ -	\$ -	\$ 29,515	\$ 29,515	\$ 29,515
Employee benefits and payroll taxes	-	-	6,929	6,929	6,929
	<u>-</u>	<u>-</u>	<u>36,444</u>	<u>36,444</u>	<u>36,444</u>
Amortization	-	-	75	75	75
Bank Charges	-	-	1,035	1,035	1,035
Dues:					
Professional	-	-	500	500	500
Corporate	-	-	4,752	4,752	4,752
Insurance	-	-	11,017	11,017	11,017
Professional fees	-	-	9,000	9,000	9,000
Promotion	1,835	1,835	-	-	1,835
Supplies	4,903	4,903	-	-	4,903
Travel	-	-	401	401	401
	<u>6,738</u>	<u>6,738</u>	<u>26,780</u>	<u>26,780</u>	<u>33,518</u>
Total Expenses	<u>\$ 6,738</u>	<u>\$ 6,738</u>	<u>\$ 63,224</u>	<u>\$ 63,224</u>	<u>\$ 69,962</u>

USA GOLF FEDERATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2020 and 2019

NOTE B – SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)

2019

	Program Services		Supporting Services		Total
	Pan Am Games	Total	Management and General	Total	
Compensation and related expenses:					
Salaries	\$ -	\$ -	\$ 35,358	\$ 35,358	\$ 35,358
Employee benefits and payroll taxes	-	-	6,489	6,489	6,489
	-	-	41,847	41,847	41,847
Amortization	-	-	75	75	75
Bank Charges	-	-	-	-	-
Dues:					
Professional	90	90	-	-	90
Corporate	-	-	4,680	4,680	4,680
Insurance	340	340	10,143	10,143	10,483
Professional fees	-	-	9,120	9,120	9,120
Player Support	3,265	3,265	-	-	3,265
Promotion	298	298	-	-	298
Supplies	37	37	-	-	37
Travel	2,306	2,306	757	757	3,063
	6,336	6,336	24,775	24,775	31,111
Total Expenses	<u>\$ 6,336</u>	<u>\$ 6,336</u>	<u>\$ 66,622</u>	<u>\$ 66,622</u>	<u>\$ 72,958</u>

NOTE C -- DEFERRED REVENUE

The liability for deferred income is the unutilized amount of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant.

NOTE D -- AGREEMENTS

The Organization has a digital media agreement which expires in December 2020 and an apparel licensing agreement which was originally set to expire in 2020. The apparel licensing agreement was subsequently amended and will expire in 2021 (See NOTE J).

NOTE E -- DONATED SERVICES

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

	<u>2020</u>	<u>2019</u>
Wages, payroll taxes and benefits – management and general	<u>\$ 36,444</u>	<u>\$ 41,847</u>

NOTE F -- 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 G -- RELATED PARTY TRANSACTIONS

The PGA TOUR, Inc. provided contributed services totaling \$36,444 and \$41,847 related to wages, taxes and benefits of the executive director and support staff of USA Golf for the years ending December 31, 2020 and 2019 respectively. The executive director and support staff of USA Golf are employees of the PGA TOUR.

NOTE H -- 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, 2020 and 2019, uninsured balances totaled \$436,937 and \$409,421, respectively.

NOTE I -- LIQUIDITY

As of December 31, 2020 and 2019, respectively, all net assets without donor restrictions are available to meet cash needs for general expenditures of the Organization within one year.

NOTE J -- SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were available to be issued.

The Organization has an apparel licensing agreement which was to expire December 31, 2020. Due to the postponement of the 2020 Olympics, the agreement was amended in February 2021 to extend the agreement to December 31, 2021.