

USA GOLF FEDERATION, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

USA GOLF FEDERATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
USA Golf Federation, Inc.

Opinion

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, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Golf Federation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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 USA Golf Federation, Inc.'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

Our 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 our 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 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.

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

- 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 USA Golf Federation, Inc.'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Golf Federation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Erwin, Fountain & Jackson, P.A.

Jacksonville, Florida
November 15, 2022

USA GOLF FEDERATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 826,673	\$ 686,937
Miscellaneous receivables	27,760	-
Prepaid expenses	<u>2,642</u>	<u>1,804</u>
<i>TOTAL CURRENT ASSETS</i>	<u>857,075</u>	<u>688,741</u>
OTHER ASSETS	<u>3,793</u>	<u>3,868</u>
<i>TOTAL ASSETS</i>	<u>\$ 860,868</u>	<u>\$ 692,609</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 153,186	\$ 9,474
Deferred revenue -- NOTE C	<u>-</u>	<u>32,415</u>
<i>TOTAL CURRENT LIABILITIES</i>	<u>153,186</u>	<u>41,889</u>
<i>TOTAL LIABILITIES</i>	<u>153,386</u>	<u>41,889</u>
NET ASSETS - WITHOUT DONOR RESTRICTIONS	<u>707,682</u>	<u>650,720</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 860,868</u>	<u>\$ 692,609</u>

USA GOLF FEDERATION, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended December 31, 2021 and 2020

	WITHOUT DONOR RESTRICTIONS <u>2021</u>	WITHOUT DONOR RESTRICTIONS <u>2020</u>
SUPPORT AND REVENUE		
Donated services – NOTE E	\$ 141,671	\$ 36,444
Digital media fees	28,233	28,268
Apparel licensing fees	450,000	-
Grant income	32,415	-
Other income	<u>58,662</u>	<u>-</u>
<i>TOTAL SUPPORT AND REVENUE</i>	<u>710,981</u>	<u>64,712</u>
FUNCTIONAL EXPENSES – NOTE B		
Program services	485,095	6,738
Management and general	<u>168,924</u>	<u>63,224</u>
<i>TOTAL FUNCTIONAL EXPENSES</i>	654,019	69,962
<i>CHANGE IN NET ASSETS</i>	56,962	(5,250)
<i>NET ASSETS AT BEGINNING OF THE YEAR</i>	<u>650,720</u>	<u>655,970</u>
<i>NET ASSETS AT END OF YEAR</i>	<u>\$ 707,682</u>	<u>\$ 650,720</u>

USA GOLF FEDERATION, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received – licensing and rights fees	\$ 478,233	\$ 28,268
Cash received – other	33,997	49,557
Cash paid to suppliers	<u>(372,494)</u>	<u>(50,309)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>139,736</u>	<u>27,516</u>
Net increase in cash and cash equivalents	139,736	27,516
Cash and cash equivalents, beginning of year	<u>686,937</u>	<u>659,421</u>
Cash and cash equivalents, end of year	<u>\$ 826,673</u>	<u>\$ 686,937</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 56,962	\$ (5,250)
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	(27,760)	-
(Increase) Decrease in prepaid expenses	(838)	(198)
Increase (decrease) in operating liabilities:		
Increase (Decrease) in accounts payable and accrued liabilities	143,712	474
Increase (Decrease) in deferred revenue	<u>(32,415)</u>	<u>32,415</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 139,736</u>	<u>\$ 27,516</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.

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.

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, 2021 and 2020, 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.

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

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 website.

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, 2021 and 2020, 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. Accumulated amortization totaled \$537 and \$462 as of December 31, 2021 and 2020, respectively.

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.

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

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, 2021 and 2020

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:

2021

	<u>Program Services</u> Olympic Games	<u>Supporting Services</u> Management and General	<u>Total</u>
Compensation and related expenses:			
Salaries	\$ -	\$ 116,513	\$ 116,513
Employee benefits and payroll taxes	-	25,158	25,158
	<u>-</u>	<u>141,671</u>	<u>141,671</u>
Amortization	-	75	75
Bank Charges	-	770	770
Dues:			
Professional	-	-	-
Corporate	-	4,680	4,680
Insurance	1,000	12,673	13,673
Postage	2,516	-	2,516
Professional fees	-	9,055	9,055
Player Support	455,195	-	455,195
Promotion	3,906	-	3,906
Travel	22,478	-	22,478
	<u>485,095</u>	<u>27,253</u>	<u>512,348</u>
Total Expenses	<u>\$ 485,095</u>	<u>\$ 168,924</u>	<u>\$ 654,019</u>

USA GOLF FEDERATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE B – SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)

2020

	<u>Program Services</u> Olympic Games	<u>Supporting Services</u> Management and General	<u>Total</u>
Compensation and related expenses:			
Salaries	\$ -	\$ 29,515	\$ 29,515
Employee benefits and payroll taxes	-	6,929	6,929
	-	36,444	36,444
Amortization	-	75	75
Bank Charges	-	1,035	1,035
Dues:			
Professional	-	500	500
Corporate	-	4,752	4,752
Insurance	-	11,017	11,017
Professional fees	-	9,000	9,000
Promotion	1,835	-	1,835
Supplies	4,903	-	4,903
Travel	-	401	401
	6,738	26,780	33,518
Total Expenses	<u>\$ 6,738</u>	<u>\$ 63,224</u>	<u>\$ 69,962</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. The conditions of the Grant were fulfilled in 2021 and grant income \$32,415 was recognized for the year ended December 31, 2021.

NOTE D -- AGREEMENTS

The Organization had a digital media agreement which expired 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. The digital media agreement was also amended and will expire in 2021.

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>2021</u>	<u>2020</u>
Wages, payroll taxes and benefits – management and general	<u>\$ 141,671</u>	<u>\$ 36,444</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 \$141,671 and \$36,444 related to wages, taxes and benefits of the executive director and support staff of USA Golf for the years ending December 31, 2021 and 2020, 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, 2021 and 2020, uninsured balances totaled \$586,855 and \$436,937, respectively.

NOTE I -- LIQUIDITY

As of December 31, 2021 and 2020, 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 November 15, 2022, which is the date the financial statements were available to be issued.