

USA GOLF FEDERATION, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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 18, 2019

USA GOLF FEDERATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 469,212	\$ 306,303
Due from affiliate	-	12,879
Miscellaneous receivables	50,000	50,000
Prepaid expenses	<u>6,105</u>	<u>1,302</u>
<i>TOTAL CURRENT ASSETS</i>	<u>525,317</u>	<u>370,484</u>
OTHER ASSETS		
Trademarks	3,655	3,655
Web-site costs net of accumulated amortization of \$312 in 2018 and \$237 in 2017	<u>363</u>	<u>438</u>
	<u>4,018</u>	<u>4,093</u>
<i>TOTAL ASSETS</i>	<u>\$ 529,335</u>	<u>\$ 374,577</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 19,196	\$ 18,000
Deferred revenue	<u>50,000</u>	<u>-</u>
<i>TOTAL CURRENT LIABILITIES</i>	<u>69,196</u>	<u>18,000</u>
<i>TOTAL LIABILITIES</i>	<u>69,196</u>	<u>18,000</u>
NET ASSETS – WITHOUT DONOR RESTRICTIONS -- NOTE C	<u>460,139</u>	<u>356,577</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 529,335</u>	<u>\$ 374,577</u>

USA GOLF FEDERATION, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended December 31, 2018 and 2017

	WITHOUT DONOR RESTRICTIONS <u>2018</u>	WITHOUT DONOR RESTRICTIONS <u>2017</u>
SUPPORT AND REVENUE		
Donated services	\$ 37,312	\$ 32,122
Gifts-in-kind	-	190,500
Digital media fees	27,988	25,079
Apparel licensing fees	100,000	50,000
Contribution – Grant	-	176,000
Other	801	23,544
Interest income	<u>-</u>	<u>18</u>
<i>TOTAL SUPPORT AND REVENUE</i>	<u>166,101</u>	<u>497,263</u>
FUNCTIONAL EXPENSES – NOTE C		
Program services	824	191,027
Management and general	<u>61,715</u>	<u>56,153</u>
<i>TOTAL FUNCTIONAL EXPENSES</i>	62,539	247,180
<i>CHANGE IN NET ASSETS</i>	103,562	250,083
<i>NET ASSETS AT BEGINNING OF THE YEAR</i>	<u>356,577</u>	<u>106,494</u>
<i>NET ASSETS AT END OF YEAR</i>	<u>\$ 460,139</u>	<u>\$ 356,577</u>

USA GOLF FEDERATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received – licensing and rights fees	\$ 177,988	\$ 222,210
Cash received – other	801	23,544
Interest received	-	18
Cash paid to suppliers	<u>(15,880)</u>	<u>(155,689)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>162,909</u>	<u>90,083</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Net Cash (Used) by Investing Activities</i>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Refundable advances	<u>-</u>	<u>176,000</u>
<i>Net Cash Provided by Financing Activities</i>	<u>-</u>	<u>176,000</u>
Net increase in cash and cash equivalents	162,909	266,083
Cash and cash equivalents, beginning of year	<u>306,303</u>	<u>40,220</u>
Cash and cash equivalents, end of year	<u>\$ 469,212</u>	<u>\$ 306,303</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 103,562	\$ 250,083
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Adjustment to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Amortization	75	75
(Increase) decrease in operating assets:		
(Increase) Decrease in accounts receivable	-	-
(Increase) Decrease in due from affiliate	12,879	(12,879)
(Increase) Decrease in miscellaneous receivables	-	147,131
(Increase) Decrease in prepaid expenses	(4,803)	(168)
Increase (decrease) in operating liabilities:		
Increase (Decrease) in accounts payable and accrued liabilities	1,196	(118,159)
Increase (Decrease) in deferred revenue	50,000	-
Increase (Decrease) in refundable advances	-	(58,667)
Contributions restricted for long-term purposes:		
Refundable advances	<u>-</u>	<u>(117,333)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 162,909</u>	<u>\$ 90,083</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.

CHANGE IN ACCOUNTING PRINCIPLE – Effective January 1, 2018, USA Golf adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-For-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the periods presented.

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, 2018 and 2017, 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. At December 31, 2018 and 2017, respectively, management considered all accounts receivable to be collectible. Accordingly, there was no allowance for doubtful accounts.

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

REFUNDABLE ADVANCES – The organization was the recipient of a donor-restricted grant. Contribution revenue was recognized as donor-imposed conditions were substantially met.

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 expenses in the period received.

INTANGIBLE ASSETS – Intangible assets consist of trademarks in the amount of \$3,655 and \$3,655 at December 31, 2018 and 2017, 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.

FUNCTIONAL ALLOCATION OF EXPENSES – The financial statement 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 recognize 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. USA Golf remaining open tax years subject to examination by the Internal Revenues Service generally remain open for three year from the date of filing.

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.

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

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:

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 is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new standard establishes a right-to-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 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 year beginning after December 15, 2019. 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 is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

NOTE B -- REFUNDABLE ADVANCES

In 2016, the Organization received a donor-restricted grant totaling \$200,000 to support USA Golf programs that focus on junior elite and elite player development. USA Golf partnered with other related entities to engage young people to enter the game and provide a path and resources to develop into elite athletes.

The grant was considered to be a nonreciprocal contribution transaction. Accordingly, revenue and expenses were recognized in the period when donor-imposed conditions were substantially met.

The change in the Organization's refundable advances accounts is comprised of the following:

Balance, December 31, 2016	\$ 176,000
Additions:	
Receipt of donor-restricted funds	-
Reductions:	
Program expenses	<u>(176,000)</u>
Balance, December 31, 2017	<u>\$ -</u>

The Organization fulfilled the terms of the grant in 2017 and \$176,000 was released from restrictions.

USA GOLF FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE C – 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:

2018

	Program Services			Supporting Services		Total
	Olympics Programs	Other Program	Total	Management and General	Total	
Compensation and related expenses:						
Salaries	\$ -	\$ -	\$ -	\$ 31,158	\$ 31,158	\$ 31,158
Employee benefits and payroll taxes	-	-	-	6,153	6,153	6,153
	-	-	-	37,311	37,311	37,311
Amortization	-	-	-	75	75	75
Bank Charges	-	-	-	693	693	693
Dues:						
Professional	-	-	-	500	500	500
Corporate	-	-	-	3,900	3,900	3,900
Insurance	-	-	-	9,775	9,775	9,775
Postage	-	-	-	15	15	15
Professional fees	-	-	-	9,088	9,088	9,088
Meetings	-	-	-	-	-	-
Player Support	-	-	-	-	-	-
Promotion	-	-	-	-	-	-
Supplies	114	-	114	-	-	114
Travel	710	-	710	358	358	1,068
Video Production	-	-	-	-	-	-
	824	-	824	24,404	24,404	25,228
Total Expenses	\$ 824	\$ -	\$ 824	\$ 61,715	\$ 61,715	\$ 62,539

USA GOLF FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE C – SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)

2017

	Program Services			Supporting Services		Total
	Olympics Programs	Other Program	Total	Management and General	Total	
Compensation and related expenses:						
Salaries	\$ -	\$ 113,500	\$ 113,500	\$ 26,256	\$ 26,256	\$ 139,756
Employee benefits and payroll taxes	-	-	-	5,867	5,867	5,867
	-	113,500	113,500	32,123	32,123	145,623
Amortization	-	-	-	75	75	75
Bank Charges	-	-	-	971	971	971
Dues:						
Professional	-	-	-	500	500	500
Corporate	-	-	-	3,900	3,900	3,900
Insurance	-	-	-	8,441	8,441	8,441
Postage	-	-	-	-	-	-
Professional fees	-	-	-	9,000	9,000	9,000
Meetings	-	-	-	600	600	600
Player Support	527	-	527	-	-	527
Promotion	-	15,000	15,000	-	-	15,000
Supplies	-	-	-	-	-	-
Travel	-	-	-	543	543	543
Video Production	-	62,000	62,000	-	-	62,000
	527	77,000	77,527	24,030	24,030	101,557
Total Expenses	\$ 527	\$ 190,500	\$ 191,027	\$ 56,153	\$ 56,153	\$ 247,180

NOTE D -- NET ASSETS – WITHOUT DONOR RESTRICTIONS

At December 31, 2018 and 2017, all unrestricted net assets are undesignated as to their use.

NOTE E -- AGREEMENTS

The Organization has a digital media agreement which expires in December 2020 and an apparel licensing agreement which expired in December 2016. The Company entered into a new apparel licensing agreement in 2017 which expires in 2020.

USA GOLF FEDERATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018 and 2017

NOTE F -- 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>2018</u>	<u>2017</u>
Wages, payroll taxes and benefits – management and general	\$ 37,311	\$ 32,123
Wages, payroll taxes and benefits – programs	<u>-</u>	<u>113,500</u>
	<u>\$ 37,311</u>	<u>\$ 145,632</u>

NOTE G -- 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 H -- RELATED PARTY TRANSACTIONS

The PGA TOUR, Inc. provided contributed services totaling \$37,311 and \$32,123 related to wages, taxes and benefits of the executive director of USA Golf for the years ending December 31, 2018 and 2017 respectively. The executive director of USA Golf is an employee of the PGA TOUR.

In 2017, the following related parties contribute services and gifts in kind related to the adoption of the American Development Model (ADM) that will focus on player development.

<u>Entity</u>	<u>Wages</u>	<u>Gifts in Kind</u>	<u>Total</u>
PGA Tour	\$ 5,000	\$ -	\$ 5,000
LPGA	5,000	-	5,000
USGA	3,500	-	3,500
PGAA	<u>100,000</u>	<u>77,000</u>	<u>177,000</u>
	<u>\$ 113,500</u>	<u>\$ 77,000</u>	<u>\$ 190,500</u>

NOTE I -- 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, 2018 and 2017, uninsured balances totaled \$221,016 and \$61,508, respectively.

NOTE J -- LIQUIDITY

As of December 31, 2018 and 2017, respectively, all net assets without donor restrictions are available to meet cash needs for general expenditures of the Organization within one year.

NOTE K -- SUBSEQUENT EVENTS

Subsequent events were evaluated through November 18, 2019, which is the date the financial statements were available to be issued.