PGA Foundation, Inc.

Financial Statements
March 31, 2020

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Report of Independent Auditors

To the Board of Directors of the PGA Foundation, Inc.

We have audited the accompanying financial statements of the PGA Foundation, Inc. (the “Foundation”), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, of changes in net assets and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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 the PGA Foundation, Inc. as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation changed the manner in which it accounts for revenue in 2020. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

August 14, 2020

PricewaterhouseCoopers LLP, 4040 West Boy Scout Boulevard, Suite 1000, Tampa, FL 33607
T: (813) 229 0221, F: (813) 229 3646, www.pwc.com/us

PGA Foundation, Inc.
Statement of Financial Position
March 31, 2020

Assets		
Current assets		
Cash and cash equivalents	$	648,015
Short-term investments		12,532
Accounts receivable, net		163,827
Prepaid expenses and other current assets		3,307,528
Due from PGA of America		2,184,326
Total current assets		6,316,228
Intangible assets, net		1,194,925
Goodwill		3,415,000
Other assets		3,035
Total assets	$	10,929,188
Liabilities and Net Assets Without Donor Restrictions		
Current liabilities		
Accounts payable and accrued expenses	$	2,700,722
Current portion of deferred revenue		1,348,407
Total current liabilities		4,049,129
Long-term debt		7,500,000
Deferred revenue		32,500
Total liabilities		11,581,629
Commitments and contingencies (Note 6)		
Net assets without donor restrictions		
Undesignated		(652,441)
Total net assets without donor restrictions		(652,441)
Total liabilities and net assets without donor restrictions	$	10,929,188

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Statement of Activities
Year Ended March 31, 2020

Change in net assets without donor restrictions	
Revenues and support	
Contributions received	$ 3,973,442
Fundraiser event entry fees	729,978
Registration revenue	3,933,608
Sponsorship revenue	1,276,295
Investment income, net	1,077
Merchandise sales	14,861
Miscellaneous revenue	45,957
Licensing revenue	825,000
Total revenues and support	10,800,218
Expenses	
Administrative expenses	1,082,402
Fundraising expenses	630,783
Junior League Golf expenses	6,309,723
HOPE expenses	1,012,487
WORKS expenses	797,158
Fundraiser event expenses	256,025
Contributions made	696,779
Cost of sales	14,861
Total expenses	10,800,218
Change in net assets without donor restrictions	$ -

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Statement of Changes in Net Assets
Year Ended March 31, 2020

	Designated	Undesignated
Net assets without donor restrictions - beginning of year	$ 315,085	$ (967,526)
Designated fund activities		
Dick's JLG Sponsorship	(315,085)	315,085
Change in net assets without donor restrictions	(315,085)	315,085
Net assets without donor restrictions - end of year	$ -	$ (652,441)

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Statement of Cash Flows
Year Ended March 31, 2020

Cash flows from operating activities	
Change in net assets without donor restrictions	$ -
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities	
Amortization	410,179
Noncash interest expense	157,558
Changes in net assets without donor restrictions:	
Increase in accounts receivable	(105,436)
Increase in prepaid expenses and other assets	(1,205,772)
Decrease in due from PGA of America	1,447,548
Decrease in accounts payable and accrued expenses	(361,411)
Decrease in deferred revenue	(446,343)
Net cash used in operating activities	(103,677)
Cash flows from investing activities	
Proceeds from sales of short-term investments	14,090
Purchases of short-term investments	(330)
Net cash provided by investing activities	13,760
Net decrease in cash and cash equivalents	(89,917)
Cash and cash equivalents	
Beginning of year	737,932
End of year	$ 648,015

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Operations

The PGA Foundation, Inc. (the "Foundation") is involved in various charitable activities and grant programs to promote the game of golf. The Foundation is affiliated with The Professional Golfers' Association of America, Inc. (the "PGA of America"), through representation on boards of directors, management and other activities. The Foundation does business as PGA REACH.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Significant accounting policies are described below.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Foundation transitioned to FASB Accounting Standards Codification ("ASC") Topic 606, Revenue From Contracts with Customers ("ASC 606"), from ASC Topic 605, Revenue Recognition, on April 1, 2019 using the modified retrospective transition method. The financial statements reflect the application of ASC 606 guidance beginning in the current period. The transition to ASC 606 represents a change in accounting principle and did not have an effect on the financial statements. ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

Additionally, in June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), a revised standard on accounting for contributions, which became effective for the Foundation on April 1, 2019 and was applied prospectively. The amendments in this Update clarify the scope and accounting guidance for contributions, as distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in Subtopic 958-605, whereas for exchange transactions, an entity should follow other guidance (for example, ASC 606).

Contributions, including unconditional promises to give, are recognized in the period received. Revenue from fundraising tournaments is recognized when the event takes place. Revenue from all other activities is recognized at the time the goods or services are provided and the Foundation's performance obligations have been satisfied. The Foundation is not party to any conditional or unconditional pledges for future contributions.

Total contributions from donations, sponsorships and entry fees related to fundraising events were $727,790 for the year ended March 31, 2020. Contributions and sponsorships from the events included within the accompanying Statement of Activities in contribution revenue were $207,875 for the year ended March 31, 2020.

Current accounting standards require that companies disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Foundation has included its revenues and support disaggregated in its Statement of Activities to satisfy this requirement.

All revenue amounts are recorded net of applicable sales tax, if applicable.

Cash and Cash Equivalents and Short-Term Investments
Cash and cash equivalents include cash on hand and on deposit. The Foundation deposits cash and cash equivalents with financial institutions which management believes are of high credit quality.

The Foundation considers investments purchased with an original maturity of three months or less when acquired to be cash equivalents. Investments purchased with an original maturity of more than three months at the date of acquisition, but less than twelve months, are classified as short-term. Short-term investments of the Foundation consist of certificates of deposit, and are stated at contract price, which approximates fair value.

Accounts Receivable
The Foundation records receivables for event sponsorships, event entry fees and team registrations in the year in which the events are held. Accounts receivable are carried at the original invoice amount less an allowance for doubtful accounts based upon the Foundation's assessment of various factors, including historical experience and other factors that may affect customers' ability to pay. Accounts receivable are written off when deemed uncollectible and recoveries of accounts receivable previously written off are recorded when received. As of March 31, 2020, the reserve for bad debt was $0.

Other Current Assets
Other current assets include uniforms for Junior League Golf participants. The cost of the uniforms is included in the registration fee. As of March 31, 2020, the amount of uniforms was $2,745,868. Uniforms inventory are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

Goodwill
Goodwill represents the excess of consideration transferred over the fair value of tangible net assets and identifiable intangible assets of businesses acquired. Goodwill is not amortized, but is subject to impairment testing annually, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares the assets' carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to their fair value. The Foundation recorded goodwill following its acquisition of League Golf LLC. The Foundation performed an impairment test at March 31, 2020, and no impairment charges were recorded.

Intangible Assets
Intangible assets with determinable lives consist of customer relationships and a covenant not to compete. Intangible assets are stated at cost less accumulated amortization. Amortization of intangible assets is recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of customer relationships and the covenant not to complete are 8 years and 7 years, respectively.

Impairment of Long-Lived Assets
Long-lived assets, such as intangible assets with determinable lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset in conjunction with other assets at the lowest level of separately identifiable cash flows. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset or asset group exceeds its fair value. Assets to be disposed of are separately presented in the Statement of Financial Position and reported at the lower of the carrying amount or fair value less costs to dispose, and are no longer depreciated.

Deferred Revenue
Revenue received in advance is deferred until such time as the event takes place or services are rendered. Revenue received for events that are scheduled to occur after March 31, 2021 are classified as noncurrent.

Net Assets
The Foundation classifies contributions received with temporary donor restrictions as net assets with temporary donor restrictions, and classifies contributions received with permanent donor restrictions as net assets with permanent donor restrictions. All other contributions are classified as net assets without donor restrictions. Donor restricted contributions that are satisfied within the same period as received are classified as net assets without donor restrictions on the accompanying Statement of Financial Position.

Income Taxes
The Foundation is a public charity exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Provision for unrelated business income tax, when applicable, is made for activities unrelated to the stated tax-exempt purposes of the Foundation.

Artifacts
Artifacts consisting of golf clubs, pictures, paintings and assorted memorabilia that have been donated to the Foundation are included on the accompanying Statement of Financial Position as other assets.

New Accounting Pronouncements
In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), a revised standard on accounting for financial instruments. The amendments in this Update require a financial asset, including trade receivables, measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this Update are effective for nonpublic companies with fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Foundation does not believe this revised standard will have a significant impact on the financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), a revised standard on the disclosure requirements for fair value measurements. The amendments in this Update remove, modify and add various disclosure requirements. None of the additional disclosure requirements are applicable for nonpublic entities. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Foundation is evaluating the impact of this revised standard.

In May 2019, the FASB issued ASU 2019-06, Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958). The amendments in this Update extend the Private Company Accounting Alternatives on goodwill and certain identifiable intangible assets to not-for-profit entities. The amendments in this Update are effective upon issuance. The Foundation has elected not to apply the alternatives in this Update.

3. Intangible Assets

Intangible assets consist of the following as of March 31, 2020:

Subject to amortization	
Golf facilities relationships	$ 3,270,000
Covenant not-to-compete	10,000
	3,280,000
Less: Accumulated amortization	(2,085,075)
	$ 1,194,925

For the year ended March 31, 2020, amortization expense was $410,179.

The future estimated aggregate amortization expense on the intangible assets as of March 31, 2020 is:

2020	$ 410,179
2021	410,179
2022	374,567
Total minimum future amortization expense	$ 1,194,925

4. Functional Allocation of Expenses

For the year ended March 31, 2020, the Foundation's functional allocation of expenses is represented as follows:

Program expenses	
Support of other charitable entities	$ 696,779
Total program expenses	696,779
Fundraiser event expenses	256,025
Junior League Golf expenses	6,309,723
HOPE expenses	1,012,487
WORKS expenses	797,158
Administrative expenses	1,082,402
Fundraising expenses	630,783
Cost of sales	14,861
Total expenses	$ 10,800,218

All management and general expenses that were directly attributable to a specific program were allocated to that program. Administrative expenses include certain costs allocated to the Foundation by the PGA of America based on an analysis of time spent performing Foundation functions. For the year ended March 31, 2020, total allocations were $924,174. Significant items allocated were salaries and wages of $754,941 for the year ended March 31, 2020.

5. Fair Value of Financial Instruments

The Foundation records certain assets and liabilities at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchical framework has been established that classifies assets, based on the market observability of the inputs used to determine fair value, into the following three categories:

Level 1 Quoted prices for identical instruments in active markets to which the Foundation has access at the date of measurement.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets in markets that are not active; and model-derived valuations in which all significant inputs are directly or indirectly observable.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques for determining fair value and may include price information, market transaction data, investment liquidity and other factors. An investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value. Transfers between levels are recognized on the date they occur.

Fair values for marketable securities are based on quoted market prices from an active exchange. The Foundation's holdings of individual marketable securities where the value may be determined by referring to quoted prices from an active exchange are classified in Level 1.

The Foundation's money market funds and mutual funds, regardless of the underlying asset (i.e. common stocks, treasuries, corporate bonds, etc.), are all managed by registered investment companies and have daily net asset values ("NAV"). These investments are classified in Level 2.

The fair value of limited partnerships and similar nonmarketable equity interests which invest in both publicly and privately-owned securities are based on estimates and assumptions of the general partners in the absence of readily determinable market values. These investments are classified in Level 3.

The following table sets forth the Foundation's investments by major investment strategy on the basis of the nature and risk of the investments by level within the fair value hierarchy:

March 31, 2020	Quoted Prices in Active Markets (Level 1)	Siginificant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Certificates of deposit	$ 12,532	$ -	$ -	$ 12,532
Money market accounts	648,015	-	-	648,015
Total assets at fair value	$ 660,547	$ -	$ -	$ 660,547

The following table summarizes the significant terms of the agreements with investment managers by major category.

	Redemption Frequency	Redemption Notice
Money market funds	Daily	1 Day
Fixed income	Daily	1 Day
Equity investments		
Domestic	Daily - Quarterly	1 to 60 Days
International	Daily - Quarterly	1 to 60 Days

All investments are carried at fair value in the accompanying Statement of Financial Position.

6. Commitments and Contingencies

Litigation
The Foundation is subject to various legal claims arising in the normal course of business out of the conduct of its current operations. Based on information currently available, it is the opinion of management that the ultimate resolution of pending litigation and threatened proceedings will not have a material adverse effect on the Foundation's financial position or results of activities or cash flows, beyond its current estimates.

7. Risks and Uncertainties

Credit Risk
Financial instruments which potentially expose the Foundation to concentration of credit risk consist primarily of cash, short-term investments and accounts receivable. The Foundation places its cash and cash equivalents with high quality financial institutions. As scheduled, the unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits, in the same ownership category, and the combined total insured is $250,000. As of March 31, 2020, interest and noninterest-bearing accounts exceeded the FDIC limit by approximately $378,329.

Concentration of Contributions
The Foundation received 40% of its contributions from one donor for the year ended March 31, 2020.

COVID-19
On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic causing disruptions to global markets. COVID-19 is having an impact on overall economic conditions and its spread has since been identified throughout the rest of the world, including various regions that are

important to the Foundation's operations. Specifically, the Foundation cancelled certain events scheduled to occur in 2020, including the 2020 PGA WORKS Collegiate Championship, the PGA HOPE Secretary's Cup and the 2020 Junior League National Championship. The extent to which COVID-19 could have a negative impact on the results of operations, financial condition, cash flows and liquidity of the Foundation will depend on future developments, which are highly uncertain and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and actions to contain or treat its impact, among others.

8. Related Party Transactions

The Foundation's cash receipts and cash disbursements are processed through the PGA of America's centralized cash disbursement system. The financial impact of these transactions is recorded through Due from PGA of America within the accompanying Statement of Financial Position.

During fiscal year 2015, the Foundation's purchase of League Golf was funded by a line of credit extended to the Foundation by the PGA of America. The balance of the line of credit was $7,500,000 at March 31, 2020. The Foundation accrues interest monthly on the balance of the line of credit at an interest rate equal to the monthly mid-term federal rate as a reduction to the Due from PGA of America balance. Total noncash interest expense for the year ended March 31, 2020 is $157,558 and is included in Junior League Golf expenses within the accompanying Statement of Activities. The maturity date for the line of credit is March 4, 2025.

The Foundation received contributions from the PGA of America for the year ended March 31, 2020 in the amount of $1,573,289, which are included in contributions received within the accompanying Statement of Activities.

As discussed in Note 4, administrative expenses include certain costs for the year ended March 31, 2020 in the amount of $924,174 allocated to the Foundation by the PGA of America.

Additionally, as disclosed in Note 9, PGA of America has agreed, if necessary, to fund the Foundation's operations for the foreseeable future and at least through one year and a day beyond the date of these financial statements.

9. Subsequent Events

As described in Note 7, the Foundation has cancelled certain events scheduled to be held in 2020 due to the COVID-19 global pandemic. Additionally, the Foundation has received a letter of financial support from PGA of America to address cash flow or liquidity needs for the foreseeable future and at least through one year and a day beyond the date of these financial statements.

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 14, 2020, the date the financial statements were available for issuance, and determined that no additional items required disclosure.