PGA Foundation, Inc.

Financial Statements
June 30, 2018 and 2017

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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 PGA Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, of changes in unrestricted net assets and of cash flows for the years 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 Foundation as of June 30, 2018 and 2017, and the changes in its unrestricted net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Certified Public Accountants
October 5, 2018

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PGA Foundation, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 1,870,732	$ 2,976,884
Short-term investments	26,010	874,249
Accounts receivable, net	71,187	105,929
Prepaid expenses and other current assets	1,583,911	763,508
Due from PGA of America	-	1,262
Total current assets	3,551,840	4,721,832
Intangible assets, net	1,912,738	2,322,917
Goodwill	3,415,000	3,415,000
Other assets	970	970
Total assets	$ 8,880,548	$ 10,460,719
Liabilities and Unrestricted Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 398,942	$ 723,003
Due to PGA of America	1,494	-
Current portion of deferred revenues	195,000	120,000
Contingent consideration	1,500,000	-
Total current liabilities	2,095,436	843,003
Contingent consideration	-	2,335,516
Long-term debt	6,000,000	5,000,000
Deferred revenues	111,250	156,250
Total liabilities	8,206,686	8,334,769
Unrestricted net assets		
Undesignated	525,277	1,987,415
Designated	148,585	138,535
Total unrestricted net assets	673,862	2,125,950
Total liabilities and unrestricted net assets	$ 8,880,548	$ 10,460,719

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

PGA Foundation, Inc.
Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Change in unrestricted net assets		
Revenues and support		
Contributions received	$ 1,936,262	$ 2,858,493
Fundraiser event entry fees	411,800	603,700
Registration revenue	3,484,474	3,007,474
Sponsorship revenue	638,240	150,000
Investment income, net	33,321	11,413
Hospitality revenue	-	639
Licensing revenue	45,000	48,750
Total revenues and support	6,549,097	6,680,469
Expenses		
Administrative expenses	892,679	611,158
Fundraising expenses	465,278	274,162
Junior League Golf expenses	5,226,959	4,396,245
Fundraiser event expenses	243,008	530,279
Contributions made	1,173,261	916,012
Total expenses	8,001,185	6,727,856
Decrease in unrestricted net assets	$ (1,452,088)	$ (47,387)

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

PGA Foundation, Inc.
Statements of Changes in Unrestricted Net Assets
Years Ended June 30, 2018 and 2017

	2018		2017	
	Designated	**Undesignated**	**Designated**	**Undesignated**
Unrestricted net assets - beginning of year	$ 138,535	$ 1,987,415	$ -	$ 2,173,337
Decrease in unrestricted net assets		(1,452,088)		(47,387)
<u>Designated Fund Activities</u>				
Dick's JLG Sponsorship	10,050	(10,050)	138,535	(138,535)
Change in unrestricted net assets	10,050	(1,462,138)	138,535	(185,922)
Unrestricted net assets - end of year	$ 148,585	$ 525,277	$ 138,535	$ 1,987,415

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

PGA Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Decrease in unrestricted net assets	$ (1,452,088)	$ (47,387)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities (used in) provided by operating activities		
Amortization	410,179	410,179
Decrease (Increase) in accounts receivable	34,743	(100,727)
Increase in prepaid expenses and other assets	(820,403)	(120,277)
(Decrease) increase in accounts payable and accrued expenses	(324,061)	18,915
Increase in deferred revenue	30,000	204,250
(Decrease) increase in contingent consideration	164,484	297,215
Increase in due to/due from PGA of America	2,756	-
Net cash (used in) provided by operating activities	(1,954,390)	662,167
Cash flows from investing activities		
Proceeds from sales of short-term investments	2,573,195	3,414,866
Purchases of short-term investments	(1,724,956)	(3,416,481)
Net cash provided by (used in) investing activities	848,239	(1,615)
Cash flows from financing activities		
Loan proceeds received from PGA of America	1,000,000	-
Payment of contingent consideration	(1,000,000)	-
Net cash provided by financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(1,106,151)	660,551
Cash and cash equivalents		
Beginning of year	2,976,883	2,316,332
End of year	$ 1,870,732	$ 2,976,883

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
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. 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 $410,000 and 846,997 for the years ended June 30, 2018 and 2017, respectively. Contributions and sponsorships from the events included within the accompanying Statements of Activities in contribution revenue were $22,800 and $247,796 in fiscal years 2018 and 2017, respectively.

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 June 30, 2018 and 2017, the reserve for bad debt was $46, 296 and $47,271, respectively.

Other Current Assets
Other current assets includes uniforms for Junior League Golf participants. The cost of the uniforms is included in the registration fee. As of June 30, 2018 and 2017, the amount of uniforms was $1,072,833 and $763,508, respectively.

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 impairment tests at June 30, 2018 and 2017, 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 statements 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 June 30, 2019 are classified as noncurrent.

Net Assets
The Foundation classifies contributions received with temporary donor restrictions as temporarily restricted net assets, and classifies contributions received with permanent donor restrictions as permanently restricted net assets. All other contributions are classified as unrestricted. Donor restricted contributions that are satisfied within the same period as received are classified as unrestricted net assets on the accompanying Statements 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 Statements of Financial Position as other assets.

Significant Contributions
The Foundation received 13% and 35% of its contributions from one donor for the years ended June 30, 2018 and 2017, respectively.

3. Intangible assets

Intangible assets consist of the following as of June 30:

	2018	2017
Subject to Amortization		
Golf facilities relationships	$ 3,270,000	$ 3,270,000
Covenant not-to-compete	10,000	10,000
	3,280,000	3,280,000
Less: accumulated amortization	(1,367,262)	(957,083)
	$ 1,912,738	$ 2,322,917

For the years ended June 30, 2018 and 2017, amortization expense was $410,179 and $410,179, respectively.

The future estimated aggregate amortization expense on the intangible assets as of June 30, 2018:

2019	$ 410,179
2020	410,179
2021	410,179
2022	409,701
2023	272,500
Total minimum future amortization expense	$ 1,912,738

4. Contingent Consideration

During fiscal year 2017 the Foundation amended the agreement to pay contingent consideration based on the greater of the number of program participants in calendar years 2017 and 2018. The Foundation determined by evaluating the results of the past three seasons that the maximum contingent consideration of $2,500,000 is the most likely outcome. The contingent consideration liability balance at June 30, 2018 and 2017 was $1,500,000 and $2,335,516, respectively. The liability was stated at the present value of $2,500,000 and was adjusted monthly to achieve $2,500,000 by the end of December 2017. In January 2018, the Foundation made a payment of $1,000,000. The final payment is due January 2019. The Foundation recorded interest in the amount of $164,484 and $297,215 for the years ended June 30, 2018 and 2017, respectively.

5. Functional Allocation of Expenses

For the years ended June 30, 2018 and 2017, the Foundation's functional allocation of expenses is represented as follows:

	2018	2017
Program expenses		
Support of other charitable entities	$ 1,173,261	$ 916,012
Total program expenses	1,173,261	916,012
Fundraiser event expenses	243,008	530,279
Junior League Golf expenses	5,226,959	4,396,245
Administrative expenses	892,679	611,158
Fundraising expenses	465,278	274,162
Total expenses	$ 8,001,185	$ 6,727,856

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 years ended June 30, 2018 and 2017, total allocations were $737,310 and $504,719, respectively. Significant items allocated were salaries and wages of $457,396 and $380,651 for the years ended June 30, 2018 and 2017, respectively.

6. 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 Association 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 Association'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 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:

June 30, 2018	**Quoted Prices in Active Markets (Level 1)**	**Siginificant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Certificates of Deposit	$ 26,010	$ -	$ -	$ 26,010
Money Market Accounts	1,870,732	-	-	1,870,732
Total Assets at Fair Value	$ 1,896,742	$ -	$ -	$ 1,896,742

June 30, 2017	**Quoted Prices in Active Markets (Level 1)**	**Siginificant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Certificates of Deposit	$ 874,249	$ -	$ -	$ 874,249
Money Market Accounts	2,976,884	-	-	2,976,884
Total Assets at Fair Value	$ 3,851,133	$ -	$ -	$ 3,851,133

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 Statements of Financial Position.

7. 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 operations or cash flows, beyond its current estimates.

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 to PGA of America within the accompanying Statements 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 $6,000,000 and $5,000,000 at June 30, 2018 and 2017, respectively. The Foundation pays interest to the PGA of America monthly on the balance of the line of credit. The maturity date for the line of credit is March 4, 2025.

9. Subsequent Events

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 5, 2018, the date the financial statements were available for issuance, and determined that no additional items required disclosure.