

**SALUTE TO MILITARY GOLF  
ASSOCIATION, INC.**

**AUDITED FINANCIAL REPORT**

**December 31, 2013**

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**

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# DEMBO·JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## Independent Auditors' Report

Board of Directors  
**Salute to Military Golf Association, Inc.**  
Kensington, Maryland

We have audited the accompanying financial statements of **Salute to Military Golf Association, Inc.** (the Association), which comprise the statement of financial position as of **December 31, 2013**, and the related statements of activities and change in net assets and cash flows for the year 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 audit. We conducted our audit 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 **Salute to Military Golf Association, Inc.** as of **December 31, 2013**, and its 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.

### Change in Accounting Principle

As described in Note 7 to the financial statements, the Association changed its method of accounting from the cash basis to the accrual basis of accounting. Our opinion is not modified with respect to that matter. The effect of the change was immaterial.

*Dembo, Jones, Healy, Pennington & Marshall, P.C.*

Rockville, Maryland  
September 9, 2014

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 427,159
Accounts receivable	2,567
Pledges receivable	<u>50,000</u>

Total current assets	<u>479,726</u>
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**Property and Equipment**

Furniture and equipment	12,748
Trailer and golf cart	44,095
Website	<u>1,599</u>
	58,442
Less accumulated depreciation and amortization	<u>17,714</u>
	<u>40,728</u>

\$ 520,454

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 16,612
Deferred revenue	3,009
Due to related party	<u>440</u>

Total current liabilities	<u>20,061</u>
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**Net Assets**

Unrestricted net assets	488,393
Temporarily restricted net assets	<u>12,000</u>

Total net assets	<u>500,393</u>
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\$ 520,454

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

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**Year Ended December 31, 2013**

	-----Unrestricted-----					Temporarily	
	Golf	BAH	Public	Public	G&A & Fund	Restricted	Total
	Tournament	Tournament	Chapters	Education	AMG	Raising	
<b>Revenue</b>							
Donations	\$ 39,804	\$ 550	\$ 233,631	\$ -	\$ -	\$ -	\$ 12,000
Other tournament income	2,100	88,079	97,142	-	-	-	-
Direct corporate contributions	43,500	-	2,300	-	-	-	-
Tournament entry fees	32,175	-	2,115	-	-	-	-
Other income	-	-	340	-	-	4,118	-
Auction revenue	3,839	-	-	-	-	-	-
Interest income	-	-	-	-	-	2,349	-
Flag and tee donations	1,000	-	-	-	-	-	-
<b>Total revenue</b>	<u>122,418</u>	<u>88,629</u>	<u>335,528</u>	<u>-</u>	<u>-</u>	<u>6,467</u>	<u>12,000</u>
<b>Expenses</b>							
Golf equipment	-	-	159,372	-	10,266	-	-
Salary	-	-	50,914	-	-	50,915	-
Golf lessons	-	-	57,713	-	3,665	-	-
Travel and meetings	-	4,837	44,053	6,074	-	4,115	-
Golf caps and clothing	5,207	14,131	21,070	1,882	-	2,122	-
Tournament expenses	29,584	-	4,199	-	-	-	-
Employee benefits	-	-	7,458	-	-	7,459	-
Meals	-	-	7,029	-	-	2,998	-
Contract services	-	-	1,356	-	-	6,513	-
Accounting fees	-	-	-	-	-	7,224	-
Depreciation & amortization expense	-	-	-	-	-	6,915	-
Marketing	-	-	-	844	-	5,607	-
Printing	-	-	-	1,589	-	3,263	-
Supplies	-	-	-	-	-	4,689	-
Telephone	-	-	-	-	-	4,237	-
Storage	-	-	-	-	-	3,409	-
Insurance	-	-	-	-	-	3,387	-
Postage	-	888	316	-	-	1,743	-
Credit card fees	806	-	-	-	-	2,036	-
Trophies	2,485	-	-	-	-	-	-
Conferences/meetings	-	-	-	1,499	-	-	-
Golfing opportunities	-	-	1,448	-	-	-	-
Rent and utilities	-	-	-	-	-	1,340	-
Payroll fees	-	-	-	-	-	1,228	-
Childcare	-	-	897	-	-	-	-
Facilities fees	-	-	860	-	-	-	-
Entertainment	750	-	-	-	-	-	-
Registration and fees	-	-	135	-	-	559	-
Website charges	197	-	-	-	-	330	-
Freight charges	-	-	-	308	-	195	-
Miscellaneous	-	-	-	-	-	409	-
Golfing fees	-	-	299	-	-	-	-
<b>Total expenses</b>	<u>39,029</u>	<u>19,856</u>	<u>357,119</u>	<u>12,196</u>	<u>13,931</u>	<u>120,693</u>	<u>-</u>
<b>Change in net assets</b>							<u>12,000</u>
<b>Net assets, beginning of period</b>							-
Prior period adjustment due to change in accounting method							7,656
Net assets, as restated							<u>498,175</u>
<b>Net assets, end of period</b>							<u>\$ 12,000</u>
							<u>\$ 500,393</u>

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

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2013**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 2,218
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	6,915
(Increase) decrease in assets:	
Accounts receivable	(2,567)
Pledges receivable	(36,450)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	10,718
Deferred revenue	<u>3,009</u>
Net cash used in operating activities	<u>(16,157)</u>
 <b>Net decrease in cash and cash equivalents</b>	 <u>(16,157)</u>
 <b>Cash and cash equivalents, beginning of year</b>	 <u>443,316</u>
 <b>Cash and cash equivalents, end of year</b>	 <u><u>\$ 427,159</u></u>

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

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**Note 1. Nature of Operations and Significant Accounting Policies**

The Salute to Military Golf Association, Inc. (SMGA or the Association), a nonprofit organization, was incorporated under the laws of the state of Maryland in 2007. The mission of the Association is to provide rehabilitative golf experiences for combat wounded veterans in an effort to improve the quality of life for these American heroes. The Association believes that the rehabilitative benefits of golf can improve the mental and physical condition of each and every soldier returning from combat.

Begun as a therapeutic outlet for soldiers undergoing prolonged medical treatment at Walter Reed Army Medical Center, the continuing mission of the Association is to engage wounded soldiers in the game of golf as its inherent lessons of discipline, fortitude, and perseverance closely mirror those embodied in our nation's military credos.

The Association hosts a "Charity Golf Classic" (a golf tournament) as their most significant fundraiser for the Association each year. For 2013, the tournament was held at Manor Country Club in Rockville, Maryland. The tournament netted more than \$ 84,000 for SMGA.

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association's net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. See Note 4 for a description of temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. The Association had no permanently restricted net assets at December 31, 2013.

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**Note 1. Nature of Operations and Significant Accounting Policies (continued)**

*Use of Estimates*

The preparation of financial statements in conformity 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 periods. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Association considers all cash, money market accounts, and undeposited funds to be cash equivalents.

*Pledges Receivable*

Unconditional promises to give are recorded as receivables and revenue when received. The Association distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

*Furniture and Equipment*

Furniture and equipment is recorded at cost. It is the Associations' policy to capitalize purchases of furniture and equipment over \$1,000. Depreciation on equipment, furniture, and the trailer is computed using the straight-line method over the useful life of three to ten years. The cost of maintenance and repairs are recorded as expenses as incurred.

*Deferred Revenue*

Revenue received in the current year that relates to future periods is shown as deferred revenue in the accompanying Statement of Financial Position.

*Advertising Costs*

The Association's policy is to expense advertising as incurred.

*Revenue*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports that support as unrestricted.



**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**Note 1. Nature of Operations and Significant Accounting Policies (continued)**

*Subsequent Events*

In preparing its financial statements, the Association has evaluated subsequent events through September 9, 2014 which is the date the financial statements were available to be issued.

**Note 2. Furniture and Equipment**

Depreciation and amortization expense for the year ended December 31, 2013 was \$6,915.

**Note 3. Concentration of Credit Risk**

The Association maintains its cash accounts at institutions with balances that may exceed \$ 250,000, which is the amount insured by the Federal Deposit Insurance Corporation. The Association has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Association is not exposed to any significant credit risk with respect to its cash balances at December 31, 2013.

**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets result from gifts of cash and other assets with donor imposed restrictions. Temporarily restricted net assets at December 31, 2013, are available for the following purposes:

Freedom Tour Ireland	\$ 12,000
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**Note 5. Related Party Transactions**

James Estes III, a co-founder of SMGA, is also a contracted golf instructor for the Olney Golf Park. For the year ended December 31, 2013, the Olney Golf Park was paid \$ 12,571 for golf lessons for the soldiers, in which Jim Estes was the instructor about 95% of the time.

**Note 6. Income Tax Expense**

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Income taxes are payable only on business activity income unrelated to the Association's tax-exempt purpose. There was no unrelated business income tax expense for the year ended December 31, 2013.

**SALUTE TO MILITARY GOLF ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**Note 6. Income Tax Expense (continued)**

The Association follows the accounting for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. For the year ended and as of December 31, 2013, the Association had no interest and penalties related to income taxes. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, the Association's tax returns remain open for three years for federal and state examination.

**Note 7. Prior Period Adjustment**

During 2013, the Association changed its method of accounting from cash basis to accrual basis. The Association made this change so that the financial statements will be displayed on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The following financial statement lines as of December 31, 2012, were affected by this restatement:

	<b>As Previously Stated</b>	<b>As Restated</b>	<b>Effect of Restatement on Net Assets</b>
<b>Balance Sheet as of December 31, 2012</b>			
Accounts payable and accrued expenses	\$ -	\$ 5,894	\$ (5,894)
Pledges receivable	-	13,550	<u>13,550</u>
			<u>\$ 7,656</u>