



**SILVER SPRING, MD**



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



## **Independent Auditors' Report**

Board of Directors  
The Salute to Military Golf Association, Inc.  
Silver Spring, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Salute to Military Golf Association, Inc., which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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 auditors' 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 auditors consider internal control relevant to SMGA'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 SMGA'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.

Board of Directors  
The Salute to Military Golf Association, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Salute to Military Golf Association, Inc., as of December 31, 2018, 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.

**Report on Summarized Comparative Information**

We have previously audited the 2017 financial statements of The Salute to Military Golf Association, Inc., and our report dated November 16, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the 2017 audited financial statements from which it has been derived.



Bethesda, Maryland  
September 9, 2019

Certified Public Accountants

**The Salute to Military Golf Association, Inc.**  
**Statement of Financial Position**  
**December 31, 2018**  
**With Comparative Totals As of December 31, 2017**

	<b>2018</b>	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ <b>514,034</b>	\$ 561,053
Prepaid Expenses	-	1,341
	<b>514,034</b>	562,394
Total Current Assets		
	<b>35,063</b>	44,480
<b>Property and Equipment - Net</b>		
	<b>\$ 549,097</b>	\$ 606,874
<b>Total Assets</b>		
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ <b>9,056</b>	\$ 33,185
	<b>9,056</b>	33,185
Total Current Liabilities		
<b>Net Assets</b>		
Without Donor Restrictions	<b>540,041</b>	573,689
	<b>540,041</b>	573,689
Total Net Assets		
	<b>\$ 549,097</b>	\$ 606,874
<b>Total Liabilities and Net Assets</b>		

*See accompanying Notes to Financial Statements*

**The Salute to Military Golf Association, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**  
**With Comparative Totals For the Year Ended December 31, 2017**

	<b>2018</b>	2017
<b>Support and Revenues</b>		
Contributions	\$ <b>193,022</b>	\$ 240,079
Tournament Income	<b>535,689</b>	602,021
Other Income	<b>1,496</b>	2,205
<b>Total Support and Revenues</b>	<b>730,207</b>	844,305
<b>Expenses</b>		
<b>Program Service Expenses</b>		
National	<b>122,496</b>	105,011
Golf Tournament	<b>46,115</b>	44,392
BAH Tournament	<b>122,966</b>	140,004
Chapters	<b>355,238</b>	390,893
AMG	<b>60,034</b>	98,627
Total Program Service Expenses	<b>706,849</b>	778,927
<b>Supporting Service Expenses</b>		
General and Administrative	<b>57,006</b>	74,682
Total Supporting Service Expenses	<b>57,006</b>	74,682
<b>Total Expenses</b>	<b>763,855</b>	853,609
<b>Change in Net Assets</b>	<b>(33,648)</b>	(9,304)
Net Assets, Beginning of Year	<b>573,689</b>	582,993
<b>Net Assets, End of Year</b>	<b>\$ 540,041</b>	\$ 573,689

*See accompanying Notes to Financial Statements*

**The Salute to Military Golf Association, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**  
**With Comparative Totals For the Year Ended December 31, 2017**

**2018**

	<b>National</b>	<b>Golf Tournament</b>	<b>BAH Tournament</b>	<b>Chapters</b>	<b>AMG</b>	<b>General &amp; Administration</b>	<b>Total</b>	2017
Golf Equipment and Lessons	\$ 12,240	\$ 6,140	\$ -	\$ 222,080	\$ 55,750	\$ -	<b>\$ 296,210</b>	\$ 363,359
Personnel	44,127	-	-	22,922	-	17,254	<b>84,303</b>	100,092
Tournament Expenses	1,108	32,595	119,550	53,653	-	-	<b>206,906</b>	208,537
Travel	21,158	-	3,409	8,223	-	2,563	<b>35,353</b>	34,965
Golf Opportunities	17,385	-	-	9,635	3,893	15	<b>30,928</b>	36,924
Greens and Cart Fees	-	-	-	18,007	-	-	<b>18,007</b>	23,104
Miscellaneous	-	-	-	520	-	-	<b>520</b>	3,333
Trophies and Prizes	-	6,944	-	-	-	-	<b>6,944</b>	11,442
Depreciation	9,417	-	-	-	-	-	<b>9,417</b>	7,770
Professional Services	7,405	-	-	80	-	20,065	<b>27,550</b>	31,971
Office Expense	8,617	436	7	18,039	391	10,931	<b>38,421</b>	26,435
Rent	1,039	-	-	2,079	-	347	<b>3,465</b>	2,607
Insurance	-	-	-	-	-	5,831	<b>5,831</b>	3,070
<b>Total Expenses</b>	<b>\$ 122,496</b>	<b>\$ 46,115</b>	<b>\$ 122,966</b>	<b>\$ 355,238</b>	<b>\$ 60,034</b>	<b>\$ 57,006</b>	<b>\$ 763,855</b>	<b>\$ 853,609</b>

*See accompanying Notes to Financial Statements*

**The Salute to Military Golf Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
**With Comparative Totals For the Year Ended December 31, 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	<b>\$ (33,648)</b>	\$ (9,304)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	<b>9,417</b>	7,770
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	-	-
Prepaid Expenses	<b>1,341</b>	1,161
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	<b>(24,129)</b>	(14,300)
Net Cash Provided by (Used in) Operating Activities	<b>(47,019)</b>	(14,673)
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	-	(1,800)
Net Cash Provided by (Used in) Investing Activities	-	(1,800)
Increase (Decrease) in Cash and Cash Equivalents	<b>(47,019)</b>	(16,473)
Cash and Cash Equivalents, Beginning of Year	<b>561,053</b>	577,526
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 514,034</b>	\$ 561,053

*See accompanying Notes to Financial Statements*

# The Salute to Military Golf Association, Inc.

## Notes to Financial Statements December 31, 2018

### 1. ORGANIZATION

The Salute to Military Golf Association, Inc. (SMGA), a nonprofit organization, was incorporated under the laws of the state of Maryland in 2007. The mission of SMGA is to provide rehabilitative golf experiences for combat wounded veterans in an effort to improve the quality of life for these American heroes. SMGA 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 SMGA 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. SMGA now has several Chapters throughout the United States of America.

SMGA hosts a "Charity Golf Classic" (a golf tournament) as its most significant fundraiser for SMGA each year. The tournament is held at Manor Country Club in Rockville, Maryland.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The SMGA has adopted *Accounting Standards Update 2014-16, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2014-16) for the year ended December 31, 2018. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net assets classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, SMGA applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as "Unrestricted net assets" have been reclassified to be presented as "Net assets without donor restrictions." Similarly, all amounts previously reported as "Temporarily restricted net assets" and "Permanently restricted net assets" have been reclassified to be presented as "Net assets with donor restrictions." The changes in net assets have been similarly reclassified. There was no change in total net assets or total change in net assets as a result of the adoption of ASU 2014-16.

The financial statements of SMGA have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires SMGA to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SMGA. These net assets may be used at the discretion of management and the Board of Directors.



# **The Salute to Military Golf Association, Inc.**

## **Notes to Financial Statements December 31, 2018**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Basis of Presentation (Continued)**

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SMGA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

SMGA had no net assets with donor restrictions as of December 31, 2018.

#### **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 period. Actual results could differ from those estimates.

#### **Cash Equivalents**

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

#### **Accounts Receivable**

Accounts receivable consist primarily of noninterest-bearing amounts due for tournament income and other program services. SMGA determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2018 there was no allowance.

#### **Pledges Receivable**

Pledges receivable are unconditional promises to give that are recorded as receivables and revenue when received. SMGA distinguishes between contributions received for each net asset category based on the existence or absence of donor-imposed restrictions.

#### **Property and Equipment**

Property and equipment is recorded at cost. It is SMGA's 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.

**The Salute to Military Golf Association, Inc.**

**Notes to Financial Statements  
December 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Tournament and other income is recognized when earned.

**Advertising Costs**

SMGA's policy is to expense advertising as incurred.

**Functional Expense Allocation**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

**Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SMGA's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**Income Taxes**

SMGA 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 SMGA's tax-exempt purpose. There was no unrelated business income tax expense for the year ended December 31, 2018.

**The Salute to Military Golf Association, Inc.**

**Notes to Financial Statements  
December 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

Accounting principles generally accepted in the United States of America require SMGA to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. SMGA has analyzed tax positions taken and has concluded that, as of December 31, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. SMGA had no interest and penalties related to income taxes for the year ended December 31, 2018. SMGA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, SMGA's tax returns remain open for three years for federal and state examination.

**Upcoming Accounting Pronouncements**

In May 2014, the FASB issued a new standard, ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the fiscal year beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, Lease Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the recognition of lease assets by organizations. The new standards require a lessee to recognize assets and liabilities for leases with lease terms of 12 or more months, in addition to modifications improvements on lessor accounting, in conjunction with the new guidance on revenue recognition noted above in ASU-2014-09. Additional disclosures will be required for the amount, timing, and uncertainty of cash flows arising from leases, and the standard will be effective for fiscal years beginning January 1, 2020.

**Subsequent Events**

Management has evaluated subsequent events through September 9, 2019 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

**3. CONCENTRATION OF CREDIT RISK**

SMGA maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2018, SMGA's balances exceeded the FDIC insured limit by approximately \$119,000.

**The Salute to Military Golf Association, Inc.**

**Notes to Financial Statements  
December 31, 2018**

**4. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2018 consisted of the following:

Furniture and Equipment	\$ 20,865
Vehicles	77,895
	<hr/>
	98,760
Less Accumulated Depreciation	(63,697)
	<hr/>
Property and Equipment - Net	<u>\$ 35,063</u>

Depreciation expense for the year ended December 31, 2018 was \$9,417.

**5. NET ASSETS**

There were no net assets with donor restrictions as of December 31, 2018.

Net assets without donor restrictions as of December 31, 2018 were undesignated.

**6. RELATED PARTY TRANSACTIONS**

James Estes III, a co-founder of SMGA, is a contracted golf instructor for the Olney Golf Park and receives compensation directly from SMGA for soldier's golf instruction. For the year ended December 31, 2018, the total paid to Jim was \$5,364.

**7. AVAILABILITY AND LIQUIDITY**

The following represents SMGA's financial assets at December 31, 2018:

Financial Assets at Year End:	
Cash and Cash Equivalents	<u>\$ 514,034</u>
Total Financial Assets	514,034
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	-
Quasi Endowment Established by the Board	<hr/>
	-
	<hr/>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 514,034</u>

As part of SMGA's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.