



SILVER SPRING, MD



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019



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, 2019 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, 2019, 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, SMGA adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2019. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements of The Salute to Military Golf Association, Inc., and our report dated September 9, 2019, 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, 2018, is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.



Bethesda, Maryland
September 28, 2020

Certified Public Accountants

The Salute to Military Golf Association, Inc.
Statement of Financial Position
December 31, 2019
With Comparative Totals As of December 31, 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 523,127	\$ 514,034
Prepaid Expenses	1,302	-
	524,429	514,034
Total Current Assets		
	26,259	35,063
Property and Equipment - Net		
	\$ 550,688	\$ 549,097
Total Assets		
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 27,932	\$ 9,056
	27,932	9,056
Total Current Liabilities		
Net Assets		
Without Donor Restrictions	522,756	540,041
	522,756	540,041
Total Net Assets		
	\$ 550,688	\$ 549,097
Total Liabilities and Net Assets		

See accompanying Notes to Financial Statements

The Salute to Military Golf Association, Inc.
Statement of Activities
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2019	2018
Support and Revenues		
Contributions	\$ 392,518	\$ 193,022
Tournament Income	447,954	535,689
Other Income	985	1,496
Total Support and Revenues	841,457	730,207
Expenses		
Program Service Expenses		
National	113,093	129,072
Golf Tournament	40,838	39,975
BAH Tournament	136,236	122,966
Chapters	450,045	355,238
AMG	44,463	60,034
Total Program Service Expenses	784,675	707,285
Supporting Service Expenses		
General and Administrative	74,067	56,570
Total Supporting Service Expenses	74,067	56,570
Total Expenses	858,742	763,855
Change in Net Assets	(17,285)	(33,648)
Net Assets, Beginning of Year	540,041	573,689
Net Assets, End of Year	\$ 522,756	\$ 540,041

See accompanying Notes to Financial Statements

The Salute to Military Golf Association, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

2019

	National	Golf Tournament	BAH Tournament	Chapters	AMG	General & Administration	Total	2018
Golf Equipment and Lessons	\$ 9,850	\$ 7,589	\$ -	\$ 292,250	\$ 42,225	\$ -	\$ 351,914	\$ 296,210
Personnel	71,682	-	-	42,184	-	22,533	136,399	84,303
Tournament Expenses	-	29,909	136,236	42,002	-	-	208,147	206,906
Travel	11,989	-	-	16,769	-	1,746	30,504	35,353
Golf Opportunities	11,062	-	-	34,938	1,811	-	47,811	48,935
Miscellaneous	118	-	-	988	-	78	1,184	520
Trophies and Prizes	-	2,416	-	8,761	-	-	11,177	6,944
Depreciation	-	-	-	-	-	8,804	8,804	9,417
Professional Services	2,500	-	-	80	-	22,963	25,543	27,550
Office Expense	4,306	924	-	10,826	427	10,068	26,551	38,421
Rent	1,586	-	-	952	-	634	3,172	3,465
Insurance	-	-	-	295	-	6,219	6,514	5,831
Bad Debt Expense	-	-	-	-	-	1,022	1,022	-
Total Expenses	\$ 113,093	\$ 40,838	\$ 136,236	\$ 450,045	\$ 44,463	\$ 74,067	\$ 858,742	\$ 763,855

See accompanying Notes to Financial Statements

The Salute to Military Golf Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2019	2018
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (17,285)	\$ (33,648)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	8,804	9,417
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	-	-
Prepaid Expenses	(1,302)	1,341
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	18,876	(24,129)
Net Cash Provided by (Used in) Operating Activities	9,093	(47,019)
Increase (Decrease) in Cash and Cash Equivalents	9,093	(47,019)
Cash and Cash Equivalents, Beginning of Year	514,034	561,053
Cash and Cash Equivalents, End of Year	\$ 523,127	\$ 514,034

See accompanying Notes to Financial Statements

The Salute to Military Golf Association, Inc.

Notes to Financial Statements December 31, 2019

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 are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

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.

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, whereby 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.

Adopted Accounting Pronouncements

During fiscal 2019, SMGA adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, SMGA applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The Salute to Military Golf Association, Inc.

Notes to Financial Statements December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements (Continued)

The adoption of ASU 2018-08 did not have a material impact on SMGA's accounting for contributions or grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, SMGA adopted ASU 2014-09, using the modified retrospective approach. SMGA applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires SMGA to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as SMGA satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by SMGA in the financial statements.

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, 2019 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.

The Salute to Military Golf Association, Inc.

**Notes to Financial Statements
December 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

There were no unrecognized conditional contributions as of December 31, 2019.

Tournament income revenues include amounts paid by or on behalf of participants and sponsors. Fees are based on published fixed rates and collected either at the time of registration, in advance of the tournament resulting in a deferred revenue balance, or at the time that the tournament takes place and immediately recognized as revenue.

Tournament sponsorships, which are generally considered nonreciprocal transactions, are recognized when the conditions associated with providing the sponsorship are met at the tournament. As such, all tournament revenue is recognized upon completion of the respective tournament.

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, 2018, from which the summarized information was derived.

The Salute to Military Golf Association, Inc.

**Notes to Financial Statements
December 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019.

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, 2019, 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, 2019. 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.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Subsequent Events

Management has evaluated subsequent events through September 28, 2020 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, 2019, SMGA's balances exceeded the FDIC insured limit by approximately \$124,000.

The Salute to Military Golf Association, Inc.

**Notes to Financial Statements
December 31, 2019**

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 consisted of the following:

Furniture and Equipment	\$ 20,865
Vehicles	77,895
	<u>98,760</u>
Less Accumulated Depreciation	<u>(72,501)</u>
Property and Equipment - Net	<u>\$ 26,259</u>

Depreciation expense for the year ended December 31, 2019 was \$8,804.

5. NET ASSETS

There were no net assets with donor restrictions as of December 31, 2019.

Net assets without donor restrictions as of December 31, 2019 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, 2019, the total paid to Jim was \$5,856.

7. AVAILABILITY AND LIQUIDITY

The following represents SMGA's financial assets at December 31, 2019:

Financial Assets at Year End:	
Cash and Cash Equivalents	<u>\$ 523,127</u>
Total Financial Assets	523,127
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	-
Quasi Endowment Established by the Board	<u>-</u>
	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 523,127</u>

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

The Salute to Military Golf Association, Inc.

**Notes to Financial Statements
December 31, 2019**

9. SUBSEQUENT EVENTS

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The SMGA is closely monitoring its liquidity and is actively working to minimize the impact of the health crisis. The SMGA received funding from the Paychecks Protection Program under the CARES act. The funding has been structured to comply with the forgiveness provisions at the end of the covered period.

The SMGA's financial statements do not include adjustments that have resulted from the economic declines and uncertainty.