

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

AUDITED FINANCIAL REPORT

December 31, 2014

SALUTE TO MILITARY GOLF ASSOCIATION, INC.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of financial position	2
Statements of activities and changes in net assets	3-4
Statements of cash flows	5
Notes to financial statements	6 - 10

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, 2014 and 2013**, and the related statements of activities and change in net assets and cash flows for the years 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 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 audits 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, 2014 and 2013**, and its changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

*Rockville, Maryland
October 21, 2015*

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

Assets	2,014	2,013
Current Assets		
Cash and cash equivalents	\$ 507,817	\$ 427,159
Accounts receivable	3,996	2,567
Pledges receivable	122	50,000
Grants receivable	192	-
Prepaid expenses	<u>4,820</u>	<u>-</u>
Total current assets	<u>516,947</u>	<u>479,726</u>
Property and Equipment		
Furniture and equipment	15,296	12,748
Trailer and golf cart	54,095	44,095
Website	<u>-</u>	<u>1,599</u>
	69,391	58,442
Less accumulated depreciation and amortization	<u>24,584</u>	<u>17,714</u>
	<u>44,807</u>	<u>40,728</u>
	<u>\$ 561,754</u>	<u>\$ 520,454</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 22,951	\$ 16,612
Deferred revenue	-	3,009
Due to related party	<u>-</u>	<u>440</u>
Total current liabilities	<u>22,951</u>	<u>20,061</u>
Net Assets		
Unrestricted net assets	538,803	488,393
Temporarily restricted net assets	<u>-</u>	<u>12,000</u>
Total net assets	<u>538,803</u>	<u>500,393</u>
	<u>\$ 561,754</u>	<u>\$ 520,454</u>

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, 2014

	----- Unrestricted -----					G&A & Fund Raising	Temporarily Restricted	Total
	National	Golf Tournament	BAH Tournament	Chapters	AMG			
Revenue								
Donations	\$ 156,792	\$ 2,466	\$ 100	\$ 35,642	\$ 12,175	\$ 18	\$ -	\$ 207,193
Other tournament income	75,173	-	128,781	13,904	-	-	-	217,858
Direct corporate contributions	3,080	45,650	3,009	-	-	-	-	51,739
Tournament entry fees	-	32,250	-	63,469	-	-	-	95,719
Other income	-	6,925	-	-	-	274	-	7,199
Auction revenue	-	8,900	-	-	-	-	-	8,900
Interest income	-	-	-	-	-	1,441	-	1,441
Flag and tee donations	-	600	-	-	-	-	-	600
Net assets released from restrictions	12,000	-	-	-	-	-	(12,000)	-
Total revenue	<u>247,045</u>	<u>96,791</u>	<u>131,890</u>	<u>113,015</u>	<u>12,175</u>	<u>1,733</u>	<u>(12,000)</u>	<u>590,649</u>
Expenses								
Golf equipment	2,680	1,648	-	100,605	23,888	-	-	128,821
Salary	28,479	-	-	24,937	-	28,687	-	82,103
Golf lessons	240	-	-	82,768	9,448	-	-	92,456
Travel and meetings	1,119	-	2,527	1,889	-	1,654	-	7,189
Golf caps and clothing	9,699	4,811	107	14,027	3,465	-	-	32,109
Tournament expenses	55,258	36,227	1,066	21,492	3,123	-	-	117,166
Employee benefits	3,772	-	-	3,443	-	7,749	-	14,964
Meals	2,165	-	-	11,010	-	194	-	13,369
Contract services	1,153	-	-	-	-	280	-	1,433
Accounting fees	-	-	-	-	-	14,575	-	14,575
Depreciation & amortization expense	-	-	-	-	-	8,469	-	8,469
Marketing	292	-	-	-	-	-	-	292
Printing	1,056	-	-	-	-	1,817	-	2,873
Supplies	64	197	-	2,223	-	2,656	-	5,140
Telephone	-	-	-	-	-	1,913	-	1,913
Storage	1,320	-	-	2,639	-	440	-	4,399
Insurance	-	-	-	180	-	3,491	-	3,671
Postage	2,223	-	483	1,794	744	581	-	5,825
Credit card fees	(133)	856	-	-	-	2,500	-	3,223
Conferences/meetings	4,646	-	-	-	-	3,609	-	8,255
Golfing opportunities	10,596	-	-	-	-	-	-	10,596
Childcare	-	-	-	1,317	-	-	-	1,317
Facilities fees	-	-	-	961	-	-	-	961
Registration and fees	2,004	-	-	5,180	-	-	-	7,184
Website charges	-	-	-	100	-	1,504	-	1,604
Miscellaneous	-	-	-	486	-	1,135	-	1,621
Golfing fees	-	-	-	-	-	-	-	-
Total expenses	<u>126,633</u>	<u>43,739</u>	<u>4,183</u>	<u>275,051</u>	<u>40,668</u>	<u>81,254</u>	<u>-</u>	<u>571,528</u>
Change in net assets							(12,000)	19,121
Net assets, beginning of period							12,000	500,393
Prior period adjustment due to transfer of beginning bank account balances from chapter affiliates							-	19,289
Net assets, as restated							-	519,682
Net assets, end of period							\$ -	\$ 538,803

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

	Golf	BAH	Unrestricted	Public	AMG	G&A & Fund	Temporarily	Total
	Tournament	Tournament	Chapters	Education		Raising	Restricted	
Revenue								
Donations	\$ 39,804	\$ 550	\$ 233,631	\$ -	\$ -	\$ -	\$ 12,000	\$ 285,985
Other tournament income	2,100	88,079	97,142	-	-	-	-	187,321
Direct corporate contributions	43,500	-	2,300	-	-	-	-	45,800
Tournament entry fees	32,175	-	2,115	-	-	-	-	34,290
Other income	-	-	340	-	-	4,118	-	4,458
Auction revenue	3,839	-	-	-	-	-	-	3,839
Interest income	-	-	-	-	-	2,349	-	2,349
Flag and tee donations	1,000	-	-	-	-	-	-	1,000
Total revenue	<u>122,418</u>	<u>88,629</u>	<u>335,528</u>	<u>-</u>	<u>-</u>	<u>6,467</u>	<u>12,000</u>	<u>565,042</u>
Expenses								
Golf equipment	-	-	159,372	-	10,266	-	-	169,638
Salary	-	-	50,914	-	-	50,915	-	101,829
Golf lessons	-	-	57,713	-	3,665	-	-	61,378
Travel and meetings	-	4,837	44,053	6,074	-	4,115	-	59,079
Golf caps and clothing	5,207	14,131	21,070	1,882	-	2,122	-	44,412
Tournament expenses	29,584	-	4,199	-	-	-	-	33,783
Employee benefits	-	-	7,458	-	-	7,459	-	14,917
Meals	-	-	7,029	-	-	2,998	-	10,027
Contract services	-	-	1,356	-	-	6,513	-	7,869
Accounting fees	-	-	-	-	-	7,224	-	7,224
Depreciation & amortization expense	-	-	-	-	-	6,915	-	6,915
Marketing	-	-	-	844	-	5,607	-	6,451
Printing	-	-	-	1,589	-	3,263	-	4,852
Supplies	-	-	-	-	-	4,689	-	4,689
Telephone	-	-	-	-	-	4,237	-	4,237
Storage	-	-	-	-	-	3,409	-	3,409
Insurance	-	-	-	-	-	3,387	-	3,387
Postage	-	888	316	-	-	1,743	-	2,947
Credit card fees	806	-	-	-	-	2,036	-	2,842
Trophies	2,485	-	-	-	-	-	-	2,485
Conferences/meetings	-	-	-	1,499	-	-	-	1,499
Golfing opportunities	-	-	1,448	-	-	-	-	1,448
Rent and utilities	-	-	-	-	-	1,340	-	1,340
Payroll fees	-	-	-	-	-	1,228	-	1,228
Childcare	-	-	897	-	-	-	-	897
Facilities fees	-	-	860	-	-	-	-	860
Entertainment	750	-	-	-	-	-	-	750
Registration and fees	-	-	135	-	-	559	-	694
Website charges	197	-	-	-	-	330	-	527
Freight charges	-	-	-	308	-	195	-	503
Miscellaneous	-	-	-	-	-	409	-	409
Golfing fees	-	-	299	-	-	-	-	299
Total expenses	<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>	<u>562,824</u>
Change in net assets							<u>12,000</u>	<u>2,218</u>
Net assets, beginning of period							-	490,519
Prior period adjustment due to change in accounting method							-	7,656
Net assets, as restated							-	498,175
Net assets, end of period							<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
Years Ended December 31, 2014

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 38,410	\$ 2,218
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,469	6,915
(Increase) decrease in assets:		
Accounts receivable	(1,429)	(2,567)
Pledges receivable	49,878	(36,450)
Grants receivable	(192)	-
Prepaid expenses	(4,820)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,339	10,718
Deferred revenue	(3,009)	-
Due to related parties	(440)	-
Net cash provided by (used in) operating activities	<u>93,206</u>	<u>(19,166)</u>
 Cash flows from investing activities:		
Capital expenditures	<u>(12,548)</u>	<u>-</u>
Net cash used in investing activities	<u>(12,548)</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	<u>80,658</u>	<u>(19,166)</u>
 Cash and cash equivalents, beginning of year	<u>427,159</u>	<u>443,316</u>
 Cash and cash equivalents, end of year	<u>\$ 507,817</u>	<u>\$ 424,150</u>

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

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 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 2014, the tournament was held at Manor Country Club in Rockville, Maryland. The tournament netted more than \$ 53,000 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, 2014.

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 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, 2014 and 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 October 21, 2015 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, 2014 and 2013 was \$ 8,469 and \$ 6,915, respectively.

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, 2014.

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, were available for the purpose below. These funds were expended in 2014.

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, 2014 and 2013, the Olney Golf Park was paid \$ 11,171 and \$ 12,571, respectively 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, 2014 and 2013.

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 6. Income Tax Expense (continued)

Accounting principles generally accepted in the United States of America require the Organization 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. The Association has analyzed tax positions taken and has concluded that, as of December 31, 2014 and 2013, 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. The Association had no interest and penalties related to income taxes for the years ended December 31, 2014 and 2013. 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:

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

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 7. Prior Period Adjustment - continued

During 2014, the Association took over the cash management of the Boston and New York chapters. The Association made a change to the beginning net assets to reflect the addition of the beginning of the year cash balances.

The following financial statement lines as of December 31, 2013, were affected by this restatement:

	As Previously Stated	As Restated	Effect of Restatement on Net Assets
Balance Sheet as of December 31, 2013			
Net assets	\$500,393	\$ 519,682	\$ <u>19,289</u>
			<u>\$ 19,289</u>