

SALUTE TO MILITARY GOLF ASSOCIATION, INC.

FINANCIAL REPORT

December 31, 2016

SALUTE TO MILITARY GOLF ASSOCIATION, INC.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Salute to Military Golf Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditors' Responsibility

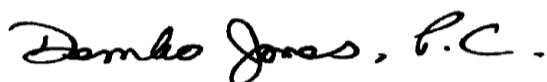
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2016 and 2015, 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.



Rockville, Maryland
November 9, 2017

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 577,526	\$ 625,936
Accounts receivable	-	3,996
Pledges receivable	-	464
Prepaid expenses	<u>2,502</u>	<u>13,062</u>
Total current assets	<u>580,028</u>	<u>643,458</u>
Property and Equipment		
Furniture and equipment	20,865	20,155
Trailers and golf carts	<u>76,095</u>	<u>76,095</u>
	96,960	96,250
Less accumulated depreciation and amortization	<u>46,510</u>	<u>35,000</u>
	<u>50,450</u>	<u>61,250</u>
	<u>\$ 630,478</u>	<u>\$ 704,708</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 47,485</u>	<u>\$ 35,710</u>
Net Assets		
Unrestricted net assets	<u>582,993</u>	<u>668,998</u>
	<u>\$ 630,478</u>	<u>\$ 704,708</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, 2016

	National	Golf Tournament	BAH Tournament	Chapters	AMG	G&A & Fund Raising	Total
Revenue							
Donations	\$ 282,505	\$ 35,433	\$ -	\$ 60,843	\$ 1,250	\$ -	\$ 380,031
Tournament income	-	59,427	145,633	74,402	-	-	279,462
Other income	447	-	-	-	-	-	447
Interest income	-	-	-	-	-	4,575	4,575
	<u>282,952</u>	<u>94,860</u>	<u>145,633</u>	<u>135,245</u>	<u>1,250</u>	<u>4,575</u>	<u>664,515</u>
Expenses							
Golf equipment	(6,038)	4,642	-	144,917	84,197	-	227,718
Golf lessons	-	-	-	92,515	25,850	-	118,365
Salary	35,704	-	-	39,693	-	32,704	108,101
Tournament expenses	-	32,715	-	55,464	-	-	88,179
Travel	12,334	-	6,341	14,654	2,420	2,459	38,208
Golf opportunities	13,259	-	-	18,173	1,621	878	33,931
Greens and cart fees	360	-	-	25,252	-	-	25,612
Miscellaneous	566	-	-	16,813	-	102	17,481
Employee benefits	5,349	-	-	5,349	-	5,319	16,017
Trophies and prizes	-	7,076	-	5,805	-	-	12,881
Depreciation & amortization expense	5,755	5,755	-	-	-	-	11,510
Accounting fees	500	-	-	-	-	9,713	10,213
Office Expense	3,223	-	1,101	2,652	1,583	1,291	9,850
Marketing	4,726	-	-	-	-	826	5,552
Rent	1,411	-	-	2,822	-	470	4,703
Bad debt expense	-	-	-	-	-	3,946	3,946
Insurance	-	-	-	-	-	3,841	3,841
Other professional fees	2,273	-	-	-	-	1,262	3,535
Supplies	196	46	-	1,526	-	1,447	3,215
Credit card fees	-	143	-	-	-	2,880	3,023
Website	800	-	-	-	-	1,304	2,104
Accounting software	-	-	-	-	-	793	793
Bank fees	129	-	-	169	-	433	731
Management fee	700	-	-	-	-	-	700
Education and subscriptions	299	-	-	-	-	12	311
	<u>81,546</u>	<u>50,377</u>	<u>7,442</u>	<u>425,804</u>	<u>115,671</u>	<u>69,680</u>	<u>750,520</u>
Change in net assets							(86,005)
Net assets, beginning of period							<u>668,998</u>
Net assets, end of period							<u>\$ 582,993</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, 2015

	National	Golf Tournament	BAH Tournament	Chapters	AMG	G&A & Fund Raising	Total
Revenue							
Donations	\$ 310,474	\$ 40,676	\$ -	\$ 65,166	\$ 500	\$ -	\$ 416,816
Tournament income	-	57,787	134,248	121,714	-	-	313,749
Direct corporate contributions	60,000	-	-	-	-	-	60,000
Other income	2,975	1,200	-	-	-	-	4,175
Interest income	-	-	-	-	-	3,769	3,769
	<u>373,449</u>	<u>99,663</u>	<u>134,248</u>	<u>186,880</u>	<u>500</u>	<u>3,769</u>	<u>798,509</u>
Total revenue							
Expenses							
Golf equipment	9,330	4,127	364	122,762	72,351	-	208,934
Golf lessons	-	-	-	79,862	18,480	-	98,342
Salary	28,295	-	-	28,295	-	28,295	84,885
Tournament expenses	587	30,325	-	50,294	-	-	81,206
Golf opportunities	15,186	-	1,103	33,261	215	575	50,340
Travel	18,186	120	2,976	3,702	578	2,230	27,792
Employee benefits	4,863	-	-	4,863	-	4,863	14,589
Management fee	14,500	-	-	-	-	-	14,500
Supplies	67	647	-	12,646	-	986	14,346
Accounting fees	-	-	-	-	-	14,050	14,050
Miscellaneous	1,500	-	-	9,644	-	1	11,145
Depreciation & amortization expense	5,208	5,208	-	-	-	-	10,416
Office Expense	4,532	161	814	2,750	386	1,095	9,738
Trophies and prizes	44	5,267	-	2,535	-	-	7,846
Website	5,400	-	-	-	-	1,028	6,428
Rent	1,134	-	-	1,993	-	818	3,945
Insurance	-	-	-	-	-	3,783	3,783
Marketing	3,291	-	-	-	-	266	3,557
Credit card fees	75	-	-	-	-	3,227	3,302
Other professional fees	500	-	-	-	-	1,229	1,729
Education and subscriptions	-	-	-	725	-	-	725
Accounting software	-	-	-	51	-	405	456
Bank fees	-	-	-	9	-	34	43
Greens and cart fees	1,205	-	-	(1,205)	-	-	-
	<u>113,903</u>	<u>45,855</u>	<u>5,257</u>	<u>352,187</u>	<u>92,010</u>	<u>62,885</u>	<u>672,097</u>
Total expenses							
Change in net assets							126,412
Net assets, beginning of period							<u>542,586</u>
Net assets, end of period							<u>\$ 668,998</u>

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

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (86,005)	\$ 126,412
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,510	10,416
(Increase) decrease in assets:		
Accounts receivable	3,996	-
Pledges receivable	464	(342)
Grants receivable	-	192
Prepaid expenses	10,560	(8,242)
Increase in liabilities:		
Accounts payable and accrued expenses	<u>11,775</u>	<u>12,759</u>
Net cash provided by (used in) operating activities	<u>(47,700)</u>	<u>141,195</u>
 Cash flows from investing activities:		
Assets transferred from Chapter	-	3,783
Capital expenditures	<u>(710)</u>	<u>(26,859)</u>
Net cash used in investing activities	<u>(710)</u>	<u>(23,076)</u>
 Net increase (decrease) in cash and cash equivalents	<u>(48,410)</u>	<u>118,119</u>
 Cash and cash equivalents, beginning of year	<u>625,936</u>	<u>507,817</u>
 Cash and cash equivalents, end of year	<u>\$ 577,526</u>	<u>\$ 625,936</u>

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

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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 now has several Chapters throughout the United States of America.

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

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. The Association had no temporarily restricted net assets at December 31, 2016 and 2015.

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, 2016 and 2015.

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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 based on the existence or absence of donor imposed restrictions.

Furniture and Equipment

Furniture and equipment is recorded at cost. It is the Association'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.

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.

Subsequent Events

In preparing its financial statements, the Association has evaluated subsequent events through November 9, 2017, which is the date the financial statements were available to be issued.

SALUTE TO MILITARY GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 2. Furniture and Equipment

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was \$ 11,510 and \$ 10,416, 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, 2016.

Note 4. Related Party Transactions

James Estes III, a co-founder of SMGA, is a contracted golf instructor for the Olney Golf Park and also receives some compensation directly from SMGA for soldiers golf instruction. For the years ended December 31, 2016 and 2015, the total paid to Olney Golf Park for Jim's work on behalf of SMGA and the amounts of direct SMGA payments to Jim were \$ 7,288 and \$ 15,467, respectively.

Note 5. 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, 2016 and 2015.

Accounting principles generally accepted in the United States of America require the Association 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, 2016 and 2015, 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, 2016 and 2015. 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.