

**PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO

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CONSIDINE CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pro Kids Golf Academy, Inc.
dba Pro Kids | The First Tee of San Diego

We have audited the accompanying financial statements of Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego, a nonprofit organization, which comprise of the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, 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 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.

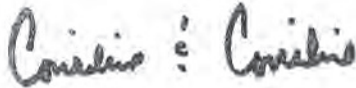
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego, a nonprofit organization, as of December 31, 2018 and 2017, and the 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.

A handwritten signature in dark ink, appearing to read "Considine & Considine". The script is cursive and somewhat stylized.

CONSIDINE & CONSIDINE
An accountancy corporation

June 12, 2019

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 417,876	\$ 442,744
Pledges receivable (note 3)	80,421	177,000
Inventory	6,924	9,412
Prepaid expenses	<u>11,864</u>	<u>26,579</u>
	517,085	655,735
 PROPERTY AND EQUIPMENT (note 4)	 5,149,187	 5,290,654
 OTHER ASSETS		
Pledges receivable - long-term (note 3)	19,088	84,687
Investments (note 6)	1,030,598	983,945
Other receivable	<u>15,000</u>	<u>476</u>
	<u>1,064,686</u>	<u>1,069,108</u>
 TOTAL ASSETS	 <u><u>6,730,958</u></u>	 <u><u>7,015,497</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	132,415	83,705
Unearned revenue	<u>22,984</u>	<u>22,202</u>
 TOTAL LIABILITIES	 155,399	 105,907
 NET ASSETS (note 10)		
Without donor restrictions	5,868,083	6,082,258
With donor restrictions	<u>707,476</u>	<u>827,332</u>
	<u>6,575,559</u>	<u>6,909,590</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 6,730,958</u></u>	 <u><u>\$ 7,015,497</u></u>

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
REVENUE		
Donations	\$ 944,499	\$ 1,223,317
Golf course	223,114	167,876
Other income	43,659	46,016
Investment return	(39,073)	98,287
Amateur golf event, Net (note 12)	<u>-</u>	<u>102,149</u>
	1,172,199	1,637,645
Special Events, Net (note 13)		
Special events revenue	1,035,127	908,192
Direct benefits to donors	<u>(72,660)</u>	<u>(65,795)</u>
	962,467	842,397
NET ASSETS RELEASED FROM RESTRICTION		
Restriction satisfied by payments	<u>277,230</u>	<u>426,467</u>
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS	2,411,896	2,906,509
OPERATING EXPENSES		
Program services	2,022,454	1,931,697
Management and general	281,472	164,903
Development	<u>322,145</u>	<u>440,147</u>
	2,626,071	2,536,747
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(214,175)	369,762
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations	158,052	10,000
Investment return	(678)	18,116
Net assets released from restrictions	<u>(277,230)</u>	<u>(426,467)</u>
Decrease in net assets with donor restrictions	<u>(119,856)</u>	<u>(398,351)</u>
TOTAL DECREASE IN NET ASSETS	(334,031)	(28,589)
NET ASSETS, BEGINNING	<u>6,909,590</u>	<u>6,938,179</u>
NET ASSETS, ENDING	<u><u>\$ 6,575,559</u></u>	<u><u>\$ 6,909,590</u></u>

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Auto	\$ 17,010	\$ -	\$ -	\$ 17,010
Facility and equipment maintenance	166,413	41,603	-	208,016
Food and beverage	-	-	16,091	16,091
Green fees	-	-	13,426	13,426
Insurance	59,772	3,321	3,321	66,413
Interest	201	-	-	201
Marketing	59,351	-	-	59,351
Office and administrative	63,440	3,524	3,524	70,489
Outside services	116,684	-	-	116,684
Personnel	994,078	198,816	132,544	1,325,437
Production	-	-	190,187	190,187
Professional development	8,855	590	394	9,839
Professional services	14,850	825	825	16,500
Rent	6,698	-	-	6,698
Scholarships	144,290	-	-	144,290
Supplies	22,074	-	-	22,074
Training and education	3,528	-	-	3,528
Travel and meals	19,137	213	1,914	21,263
Utilities and telephone	109,963	6,109	6,109	122,181
Youth events	4,345	-	-	4,345
TOTAL EXPENSES BEFORE DEPRECIATION	1,810,688	255,001	368,334	2,434,023
Depreciation	211,766	26,471	26,471	264,708
TOTAL EXPENSES	2,022,454	281,472	394,805	2,698,731
Less: Direct benefits to donors at special events included in revenue	-	-	(72,660)	(72,660)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 2,022,454</u>	<u>\$ 281,472</u>	<u>\$ 322,145</u>	<u>\$ 2,626,071</u>

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Auto	\$ 12,345	\$ -	\$ -	\$ 12,345
Bad debt	-	10,000	-	10,000
Facility and equipment maintenance	226,869	3,079	7,185	237,133
Food and beverage	-	-	86,390	86,390
Green fees	-	-	13,500	13,500
Insurance	34,485	1,150	2,682	38,317
Interest	8,989	-	-	8,989
Marketing	14,042	-	2,539	16,581
Office and administrative	50,816	6,775	10,163	67,754
Outside services	69,525	8,690	8,691	86,905
Personnel	962,599	78,049	260,162	1,300,810
Production	-	-	80,396	80,396
Professional development	24,044	1,603	1,069	26,716
Professional services	11,200	800	4,000	16,000
Rent	6,500	-	-	6,500
Scholarships	149,000	-	-	149,000
Supplies	20,149	-	2,666	22,815
Training and education	4,400	-	-	4,400
Travel and meals	29,615	329	2,961	32,905
Utilities and telephone	94,426	3,148	7,344	104,918
Youth events	10,271	-	-	10,271
TOTAL EXPENSES BEFORE DEPRECIATION	1,729,274	113,623	489,748	2,332,645
Depreciation	202,423	51,280	16,194	269,897
TOTAL EXPENSES	1,931,697	164,903	505,942	2,602,542
Less: Direct benefits to donors at special events included in revenue	-	-	(65,795)	(65,795)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 1,931,697</u>	<u>\$ 164,903</u>	<u>\$ 440,147</u>	<u>\$ 2,536,747</u>

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (334,031)	\$ (28,589)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	264,708	269,897
(Loss)/gain on investments, net	(62,894)	94,021
Bad debt	-	10,000
Change in operating assets and liabilities:		
Pledges receivable	162,178	227,429
Inventory	2,488	(4,268)
Prepaid expenses	14,715	6,791
Other receivable	(14,524)	7,024
Accounts payable and accrued expenses	48,710	(80,858)
Unearned revenue	782	(1,330)
	<u>416,163</u>	<u>528,706</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	82,132	500,117
NET CASH USED BY INVESTING ACTIVITIES		
Proceeds on sales of investments	435,152	419,304
Acquisitions of property and equipment	(123,241)	(22,115)
Acquisitions of investments	<u>(418,911)</u>	<u>(451,226)</u>
	(107,000)	(54,037)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Principal payments on capital lease	-	(37,035)
Principal payments on note payable	-	(7,072)
Principal payments on line of credit	<u>-</u>	<u>(200,000)</u>
	<u>-</u>	<u>(244,107)</u>
NET CHANGE IN CASH	(24,868)	201,973
CASH, BEGINNING OF YEAR	<u>442,744</u>	<u>240,771</u>
CASH, END OF YEAR	<u><u>\$ 417,876</u></u>	<u><u>\$ 442,744</u></u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 201	\$ 6,100

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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NOTE 1 THE ORGANIZATION

Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego (the “Organization”) is a non-profit corporation and a pioneering regional and national leader in youth development programming. The Organization operates year-round with programming 6 days a week for youth beginning at age 7 through high school. The Organization’s signature golf and life skills program couples on-course instruction with a curriculum that seamlessly integrates instruction in life skills (how to introduce yourself, what to do when you get angry or frustrated, resiliency, etc.) and core values (honesty, respect, sportsmanship, etc.). In addition to golf and life skills instruction delivered by PGA members and apprentices, the Organization’s Learning Center educators provide critical academic support and personal development opportunities that support and reinforce the activities and efforts of City Heights and Oceanside schools. Both on and off the course, the Organization exposes kids to the exciting possibilities that lie beyond high school and equip them to become leaders in the community. A cornerstone of the Organization’s program is the Pro Kids scholarship; since 1999, the Organization has awarded over \$2.5 million to more than 250 scholars, most of whom are the first in their families to pursue higher education. Boys and girls program participants are offered mentorship with volunteer leaders from San Diego’s business community.

The Organization formally began offering academic support to kids with the construction of its first Learning Center in 2001. The Pro Kids Academy launched in the fall of 2015 to help undeserved kids close the experience gap and develop core competencies to navigate the complex journey to college and career achievement, integrating existing golf and life skills programming with interest-generating curriculum related to science, technology, education and mathematics.

The Organization was incorporated as a 501(c)(3), not for profit organization in 1994. A small group of sports – minded business leaders partnered with the City of San Diego to provide underserved youth with positive recreational activities and to increase minority participation in junior golf programs. Currently, the Organization partners with city and county schools in San Diego and Oceanside, providing physical education classes, serving as a resource for local high school golf teams, offering PGA Junior League golf competition, and acting as a centralized equipment donation program for the San Diego County region. The Organization operates and maintains the Colina Park public golf course and program facility in San Diego and a program facility in Oceanside.

The Organization consists of the following activities and funding sources:

- 1) General activities funded by general unrestricted donations.
- 2) Special activities funded by restricted donations and grants.
- 3) Sale of merchandise and green fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles (GAAP) in the United States.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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Estimates - The preparation of financial statements in conformity with GAAP requires the Organization to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial statement presentation - The Organization follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which require that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Net assets without donor restrictions - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions - These net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. These net assets also include amounts that are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization.

Cash and cash equivalents - The Organization considers financial instruments with a fixed maturity date of less than two months to be cash equivalents. The Organization maintains three checking accounts at a national bank and five cash accounts at a national investment firm. At various times, cash balances may exceed federally insured deposit limits (FDIC). As of December 31, 2018 and 2017, the Organization exceeded this limit by approximately \$22,000 and \$50,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Pledges receivable - The pledges receivable consist of donor promises to give and reimbursement grants. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. As of December 31, 2018 and 2017, \$0 and \$10,000 respectively, are considered uncollectible.

A discount on pledges receivable expected to be received over several years are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in donations revenue on the statements of activities and changes in net assets.

Inventory - The Organization values its inventory at the lower of cost or market and uses the last-in first-out method. Inventory consists of merchandise held in the Pro Shop at the Colina Park facility.

Property and equipment - Property, building and leasehold improvements are stated at cost. Major renewals and improvements are capitalized and charged to expense through depreciation expense. Repairs and maintenance are charged to expense as incurred. Depreciation is provided on a straight line basis over the estimated useful lives of the depreciable assets of 3 to 39 years. Golf course land improvements are carried at cost and are not subject to depreciation.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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Impairment of property and equipment - The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amounts of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such property. There were no impairment losses recognized for the years ended December 31, 2018 and 2017.

Investments - Investments are carried at fair market value. Income on investments are recognized as revenue in the period it is earned, and realized and unrealized gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Unearned revenue - Rounds of golf can be purchased in advance at the Colina Park Pro Shop. Revenue is not recognized until the player redeems their purchase by playing the rounds of golf. The balance in unearned revenue represents the outstanding rounds of golf that have been purchased but not yet redeemed.

Fair value measurements - The Organization follows accounting standards consistent with the Financial Accounting Standards Board (FASB) codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Revenue recognition - The financial statements of the Organization are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when earned or a donor makes a promise to give that is, in substance, unconditional. Revenue from cost reimbursement of grants is generally recorded when the costs are billed to the granting agency.

Donor-imposed restrictions - All contributions are considered to be without donor restrictions unless specifically restricted by donor. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as with donor restrictions, increasing that net asset class. Gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. However, if a restriction is fulfilled in the same fiscal period in which the contribution is received, the support is reported as without donor restrictions.

Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets with donor restrictions until the restriction is fulfilled.

Donated goods and services - The Organization records donated goods with a fair value of \$2,000 or more. In addition, the Organization recognizes the value of donated services by recording the donations at fair value. All donated services recognized create a non-financial asset or required specialized skills that would have been purchased if not donated. There were no donated goods or services for the years ended December 31, 2018 and 2017.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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Functional allocation of expenses – The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Personnel and professional services expenses are allocated on the basis of estimated time spent. Utilities and telephone expenses are allocated on the basis of square footage. Facility and maintenance, travel and meals, insurance, office and administrative, professional development and depreciation expenses are allocated on the basis of estimated usage.

Income taxes - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Organization follows accounting standards which provide the accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of December 31, 2018 and 2017, the Organization had no accrued interest or penalties related to uncertain tax positions.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization's management elected to adopt this ASU effective for the year ending December 31, 2018.

The new standards change the following aspects of the Organization's financial statements:

- The temporarily and permanently restricted net asset classes have been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 15).
- The net asset disclosure was expanded.
- The description of the method of allocation of functional expenses has been expanded.

Reclassifications - Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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NOTE 3 PLEDGES RECEIVABLE

Long-term pledges receivable are shown at present value using discount rates ranging from 1.10% - 1.41%. The Organization discounted two pledges which are collectible from one to two years. The discount on the pledges was \$912 and \$5,313 at December 31, 2018 and 2017, respectively.

Pledges receivable consist of the following at December 31:

	2018	2017
Gross pledges receivable	\$ 100,421	\$ 267,000
Less: discount to net present value	(912)	(5,313)
Net pledges receivable	<u>\$ 99,509</u>	<u>\$ 261,687</u>
	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 80,421	\$ 177,000
One to two years	20,000	90,000
	<u>\$ 100,421</u>	<u>\$ 267,000</u>

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	2018	2017
Colina Park:		
Leasehold improvements	\$ 4,139,624	\$ 4,083,667
Golf course equipment	338,047	310,763
Program furniture, fixtures and equipment	237,803	197,803
Vehicles	72,950	72,950
	<u>4,788,424</u>	<u>4,665,183</u>
Oceanside:		
Leasehold improvements	2,772,669	2,772,669
Program furniture, fixtures, and equipment	72,583	72,583
Vehicles	65,215	65,215
	<u>2,910,467</u>	<u>2,910,467</u>
	7,698,891	7,575,650
Less accumulated depreciation	<u>(2,549,704)</u>	<u>(2,284,996)</u>
	<u>\$ 5,149,187</u>	<u>\$ 5,290,654</u>

Depreciation expense was \$264,708 and \$269,897 for the years ended December 31, 2018 and 2017, respectively.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value measurements to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below.

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

The investments in exchange traded funds and exchange traded notes are valued at market prices in active markets and have readily determinable fair values. These assets are classified as level 1.

The investments in bond funds are valued at market prices in inactive markets. These are classified as level 2.

Pledges receivable are valued annually and multi-year pledges are discounted using discount rates of 1.10% - 1.41% (see note 3). There were no changes in the valuation method during the current year. The assets are classified as level 3.

Financial assets carried at fair value and measured on a recurring basis at December 31, 2018 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Exchange traded funds	\$ 824,748	\$ -	\$ -	\$ 824,748
Corporate bonds	-	200,671	-	200,671
Pledges receivable	-	-	99,509	99,509
Exchange traded note	5,179	-	-	5,179
	<u>\$ 829,927</u>	<u>\$ 200,671</u>	<u>\$ 99,509</u>	<u>\$ 1,130,107</u>

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Financial assets carried at fair value and measured on a recurring basis at December 31, 2017 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Exchange traded funds	\$ 732,608	\$ -	\$ -	\$ 732,608
Pledges receivable	-	-	261,687	261,687
Corporate stocks	-	237,877	-	237,877
Corporate bonds	13,460	-	-	13,460
	<u>\$ 746,068</u>	<u>\$ 237,877</u>	<u>\$ 261,687</u>	<u>\$ 1,245,632</u>

The following summarizes fair value measurements using significant level 3 inputs, and changes therein, for the year ended December 31, 2018:

	Pledges receivable
Balance at January 1, 2018	\$ 261,687
New pledges received	-
Collections	(166,579)
Discount on pledges	4,401
Balance at December 31, 2018	<u>\$ 99,509</u>

The following summarizes fair value measurements using significant level 3 inputs, and changes therein, for the year ended December 31, 2017:

	Pledges receivable
Balance at January 1, 2017	\$ 499,116
New pledges received	-
Collections	(232,000)
Discount on pledges	4,571
Uncollectible	(10,000)
Balance at December 31, 2017	<u>\$ 261,687</u>

PRO KIDS GOLF ACADEMY, INC.
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NOTE 6 INVESTMENTS

Investments are held at fair market value and consist of the following at December 31, 2018:

	Cost	Fair value
Exchange traded funds	\$ 844,350	\$ 824,748
Corporate bonds	211,770	200,671
Exchange traded note	5,643	5,179
	<u>\$ 1,061,763</u>	<u>\$ 1,030,598</u>

Investments are held at fair market value and consist of the following at December 31, 2017:

	Cost	Fair value
Exchange traded funds	\$ 523,316	\$ 732,608
Corporate bonds	237,565	237,877
Exchange traded note	13,343	13,460
	<u>\$ 760,881</u>	<u>\$ 983,945</u>

The following schedule summarizes the Organization's return on investment and its classification in the statement of activities and changes in net assets for the year ended December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 31,983	\$ -	\$ 31,983
Investment loss	(62,216)	(678)	(62,894)
Investment fees	(8,840)	-	(8,840)
	<u>\$ (39,073)</u>	<u>\$ (678)</u>	<u>\$ (39,751)</u>

The following schedule summarizes the Organization's return on long-term investments and its classifications in the statement of activities and changes in net assets for the year ended December 31, 2017:

	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 30,429	\$ -	\$ 30,429
Investment gain	75,905	18,116	94,021
Investment fees	(8,047)	-	(8,047)
	<u>\$ 98,287</u>	<u>\$ 18,116</u>	<u>\$ 116,403</u>

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NOTE 7 LINE OF CREDIT

The Organization has an agreement with a commercial bank for a \$300,000 unsecured line of credit. The interest rate on the line is the lender's prime rate plus 2.00%, but no less than 6.00%. The lender's prime rate was 4.50% and 3.75% at December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, \$0 had been drawn on the line. The line of credit is set to expire on September 1, 2019.

Interest expense related to the line is \$201 and \$6,086 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 COMMITMENTS

The Organization leases its headquarters office, land and golf course in San Diego under an operating lease with the City of San Diego. During the year ended May 31, 2013, the Organization entered into a twenty-five year lease with the City of San Diego. The annual rent base is \$3,167 per year and is subject to increases based on the Consumer Price Index. The total rent expense was \$3,500 for the years ended December 31, 2018 and 2017.

The Organization moved to its office building situated on the leased golf course property on October 8, 2001. The building costs have been capitalized as leasehold improvements.

In July 2010, the Organization entered into a thirty year lease agreement with the City of Oceanside for its Oceanside facility. The annual rent is \$3,000 per year. Total rent expense for the years ended December 31, 2018 and 2017 was \$3,000.

Minimum future rental payments, in aggregate, for the years ended December 31 are as follows:

2019	\$	6,500
2020		6,500
2021		6,500
2022		6,500
2023		6,500
Thereafter		117,000
	\$	<u>149,500</u>

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NOTE 9 ENDOWMENT FUND

Phil and Margie Ward Scholarship Fund - The Organization has received donations for the purpose of creating an endowment fund to support college scholarships. The donations are perpetual in nature and only the investment earnings on the principal can be used for scholarship distributions. Earnings on the fund are transferred at the end of each fiscal year to the scholarship investment accounts to be used for scholarship distributions. The Organization's Board of Directors oversees the fund's investment and granting of college scholarships. The funds are to be invested with a focus on security of principal and high current returns, which may include interest bearing investments. The fund had a balance of \$231,703 and \$243,158 at December 31, 2018 and 2017, respectively.

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original values of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has the following endowment related activities and changes in endowment net assets for the year ending December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Beginning of year	\$ 28,042	\$ 215,116	\$ 243,158
Contributions	-	-	-
Dividends and interest	10,815	-	10,815
Investment loss	(11,493)	-	(11,493)
Amounts appropriated for expenditures	(10,777)	-	(10,777)
Endowment net assets, end of year	<u>\$ 16,587</u>	<u>\$ 215,116</u>	<u>\$ 231,703</u>

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The Organization has the following endowment related activities and changes in endowment net assets for the year ending December 31, 2017:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Beginning of year	\$ 21,549	\$ 215,116	\$ 236,665
Contributions	-	-	-
Dividends and interest	10,781	-	10,781
Investment gain	7,335	-	7,335
Amounts appropriated for expenditures	(11,623)	-	(11,623)
Endowment net assets, end of year	<u>\$ 28,042</u>	<u>\$ 215,116</u>	<u>\$ 243,158</u>

NOTE 10 NET ASSETS

The changes as a result of the new accounting standards as outlined in note 2 have the following effect on the net assets at December 31, 2017:

<u>Net asset class</u>	<u>As originally presented</u>	<u>After adoption of ASU 2016-14</u>
Unrestricted	\$ 5,819,477	\$ -
Unrestricted - board designated for operations and general reserves	262,781	-
Temporarily restricted	612,216	-
Permanently restricted	215,116	-
Without donor restrictions	-	6,082,258
With donor restrictions	-	827,332
Total net assets	<u>\$ 6,909,590</u>	<u>\$ 6,909,590</u>

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Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by donors during the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Capital expenditures	\$ 262,120	\$ 205,339
Purpose restriction accomplished:		
Scholarships	7,982	36,514
Philanthropy program	4,500	-
Legal support	2,628	-
Equipment	-	56,930
Academy programs	-	127,684
	<u>\$ 277,230</u>	<u>\$ 426,467</u>

Net assets consist of the following at December 31:

	2018	2017
With donor restrictions:		
Subject to expenditure for specific purpose:		
Scholarships	\$ 82,893	\$ 91,553
Legal support	7,372	10,000
Philanthropy program	-	4,500
	<u>90,265</u>	<u>106,053</u>
Subject to capital expenditures	402,095	506,163
Investment in perpetuity	<u>215,116</u>	<u>215,116</u>
	<u>707,476</u>	<u>827,332</u>
Without donor restrictions:		
Board designated - operations and general reserves	453,178	262,781
Unrestricted and undesignated	<u>5,414,905</u>	<u>5,819,477</u>
	<u>5,868,083</u>	<u>6,082,258</u>
	<u>\$ 6,575,559</u>	<u>\$ 6,909,590</u>

NOTE 11 GRANTS

The Organization receives grants for financial assistance from various government agencies and foundations. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Organization. In the opinion of the Organization's management, no material reimbursement of funds will be required as a result of expenditures allowed.

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NOTE 12 AMATEUR GOLF EVENT

The 2017 United States Golf Association (USGA) held the US Women's Amateur Golf Tournament at San Diego Country Club. The Organization served as a charitable partner with the USGA for the tournament. A one-time charitable donation was made to the Organization from the event's net revenue, which is traditionally part of the rotating nature of the tournament. Expenses related to the tournament are not related to any Pro Kids programming or activity. The Organization considers this donation to be a one-time occurrence.

NOTE 13 SPECIAL EVENTS

Special event revenues and expenses consist of the following for years ended December 31, 2018 and 2017:

	2018	2017
Revenue:		
Sponsorships	\$ 654,410	\$ 443,687
Auction proceeds	297,267	280,414
Ticket sales	65,350	80,600
Donations	18,100	103,491
	<u>1,035,127</u>	<u>908,192</u>
Expenses:		
Direct benefit to donors	72,660	65,795
Other expenses	170,324	184,506
	<u>242,984</u>	<u>250,301</u>
Net special events revenue	<u>\$ 792,143</u>	<u>\$ 657,891</u>

NOTE 14 RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan for its employees. The Organization provides matching contributions to the plan up to a maximum of 3% of the salaries of participating employees. The total matching contribution for the years ended December 31, 2018 and 2017 was \$16,559 and \$6,066, respectively. All contributions to the plan are 100% vested.

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NOTE 15 LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in short-term investments.

The following table reflects the Organization's financial assets as of December 31, 2018 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designation. Amounts not available include alternative investments with redemption limitations as more fully described in notes 9 and 10. In the event that need arises to utilize the board-designated reserves for liquidity purposes, the reserves could be drawn upon through board resolution.

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year-end:

Cash and cash equivalents	\$ 417,876
Pledges receivable	80,421
Investments	1,030,598
Other receivable	15,000
	<u>\$ 1,543,895</u>

Less:

Donor imposed restrictions making financial assets unavailable for general expenditure	707,476
Board designated - operations and general reserves	453,178
Financial assets not available to be used within one year	<u>1,160,654</u>
Financial assets available to meet general expenditure within one year	<u>\$ 383,241</u>

To fund current programs which are ongoing, major and central to its annual operations and general expenditures the Organization has several sources of income as follows:

- Investment earnings without donor restrictions
- Appropriated investment earnings from donor-restricted gifts and endowments
- Board-designated investments for operations and general reserves
- Contributions without donor restrictions
- Contributions with donor restrictions

General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

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The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity, the income generated from such endowments is used to fund programs. Support without donor restrictions has historically represented approximately 90% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating with a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 12, 2019, the date which the financial statements were available to be issued. There were no material subsequent events other than that noted below which affected the amounts or disclosures in the financial statements.

Subsequent to year end, the Organization granted a promissory note and forgivable loan to the Executive Director of the Organization in the amount of \$63,000.