

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Pro Kids Golf Academy, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego (a California non-profit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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 as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

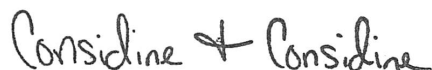
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



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An accountancy corporation

September 1, 2022

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
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	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,316,781	\$ 880,860
Receivables (note 3)	56,938	2,156,938
Inventory	7,474	5,675
Prepaid expenses	<u>73,485</u>	<u>62,451</u>
	1,454,678	3,105,924
PROPERTY AND EQUIPMENT (note 4)	4,645,199	4,884,525
OTHER ASSETS		
Investments (note 6)	<u>3,202,569</u>	<u>937,429</u>
TOTAL ASSETS	<u><u>9,302,446</u></u>	<u><u>8,927,878</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	146,684	137,100
Unearned revenue	<u>76,604</u>	<u>80,116</u>
TOTAL LIABILITIES	223,288	217,216
NET ASSETS (note 10)		
Without donor restrictions	8,579,832	8,396,911
With donor restrictions	<u>499,326</u>	<u>313,751</u>
	<u>9,079,158</u>	<u>8,710,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,302,446</u></u>	<u><u>\$ 8,927,878</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, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
REVENUE WITHOUT DONOR RESTRICTIONS		
Donations	\$ 1,201,106	\$ 4,159,232
Golf course	488,245	276,627
Other income (note 13)	397,149	332,636
Investment return	218,118	98,982
In-kind donations	73,384	-
	<u>2,378,002</u>	<u>4,867,477</u>
Special events, net (note 12)		
Special events revenue	980,772	62,355
Direct benefits to donors	(76,850)	-
	<u>903,922</u>	<u>62,355</u>
NET ASSETS RELEASED FROM RESTRICTION		
Restriction satisfied by payments	<u>4,514</u>	<u>170,007</u>
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS	3,286,438	5,099,839
OPERATING EXPENSES		
Program services	2,586,273	2,297,996
Management and general	224,816	245,592
Development	292,428	342,467
	<u>3,103,517</u>	<u>2,886,054</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	182,921	2,213,785
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations	189,576	43,500
Investment return	513	17,008
Net assets released from restrictions	(4,514)	(170,007)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>185,575</u>	<u>(109,499)</u>
TOTAL CHANGE IN NET ASSETS	368,496	2,104,286
NET ASSETS, BEGINNING	<u>8,710,662</u>	<u>6,606,376</u>
NET ASSETS, ENDING	<u><u>\$ 9,079,158</u></u>	<u><u>\$ 8,710,662</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, 2021

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Auto	\$ 8,054	\$ -	\$ -	\$ 8,054
Facility and equipment maintenance	253,074	7,693	7,693	268,459
Food and beverage	-	-	21,950	21,950
Insurance	62,981	7,873	7,873	78,726
Interest	1,532	-	-	1,532
Marketing	-	-	4,002	4,002
Office and administrative	36,218	32,914	11,368	80,500
Outside services	59,776	43,004	45,558	148,338
Personnel	1,524,510	69,189	151,169	1,744,869
Production	41,866	-	74,710	116,576
Professional development	23,217	-	-	23,217
Professional services	-	18,000	-	18,000
Rent	6,853	-	-	6,853
Scholarships	133,383	-	-	133,383
Supplies	56,762	1,570	993	59,324
Training and education	3,514	-	-	3,514
Travel and meals	8,686	708	96	9,490
Utilities and telephone	86,394	10,799	10,799	107,993
Youth events	14,912	-	-	14,912
TOTAL EXPENSES BEFORE DEPRECIATION	2,321,733	191,749	336,210	2,849,692
Depreciation	264,540	33,068	33,068	330,675
TOTAL EXPENSES	2,586,273	224,816	369,278	3,180,367
Less: Direct benefits to donors at special events included in revenue	-	-	(76,850)	(76,850)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 2,586,273</u>	<u>\$ 224,816</u>	<u>\$ 292,428</u>	<u>\$ 3,103,517</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, 2020

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Auto	\$ 6,575	\$ -	\$ -	\$ 6,575
Bad debts	51,000	-	-	51,000
Facilities and equipment maintenance	211,108	6,417	6,417	223,942
Food and beverage	-	-	11,344	11,344
Insurance	48,763	6,095	6,095	60,954
Interest	1,838	-	-	1,838
Marketing	257	-	2,759	3,016
Office and administrative	62,187	56,514	19,519	138,220
Outside services	78,125	56,205	59,543	193,873
Personnel	1,305,750	59,261	129,477	1,494,488
Production	5,561	-	64,595	70,156
Professional development	6,531	-	-	6,531
Professional services	-	17,800	-	17,800
Rent	6,953	-	-	6,953
Scholarships	140,338	-	-	140,338
Supplies	26,328	728	460	27,517
Training and education	1,241	-	-	1,241
Travel and meals	4,474	365	49	4,888
Utilities and telephone	80,270	10,034	10,034	100,337
Youth events	3,307	-	-	3,307
TOTAL EXPENSES BEFORE DEPRECIATION	2,040,606	213,418	310,293	2,564,317
Depreciation	257,390	32,174	32,174	321,737
TOTAL EXPENSES	2,297,996	245,592	342,467	2,886,054
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 2,297,996</u>	<u>\$ 245,592</u>	<u>\$ 342,467</u>	<u>\$ 2,886,054</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, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 368,496	\$ 2,104,286
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation	330,675	321,737
(Gain)/loss on investments, net	(189,771)	(98,368)
Income from loan forgiveness	(246,404)	(275,000)
Change in operating assets and liabilities:		
Receivables	2,100,000	(2,044,159)
Inventory	(1,799)	2,624
Prepaid expenses	(11,034)	(33,251)
Other receivable	-	42,429
Accounts payable and accrued expenses	9,584	36,507
Unearned revenue	(3,512)	57,587
	<u>1,987,739</u>	<u>(1,989,894)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,356,235	114,392
CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES		
Proceeds on sales of investments	339,696	405,369
Acquisitions of investments	(2,415,065)	(288,603)
Acquisitions of property and equipment	(91,349)	(114,168)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	(2,166,718)	2,598
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds received from note payable	246,404	275,000
NET CHANGE IN CASH	435,921	391,990
CASH, BEGINNING OF YEAR	<u>880,860</u>	<u>488,870</u>
CASH, END OF YEAR	<u><u>\$ 1,316,781</u></u>	<u><u>\$ 880,860</u></u>

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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 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 coaching with a curriculum that seamlessly integrates instruction in life skills (i.e. proper introductions, handling frustration, resiliency, etc.) and core values (i.e. honesty, respect, sportsmanship, etc.). In addition to this 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 positive opportunities after high school and equips 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 \$2.75 million to more than 275 scholars as of December 31, 2021, most of whom are the first in their families to pursue higher education. Boys and girls program participants are offered mentorship by volunteer leaders from San Diego’s business community.

The Organization formally began offering academic support to kids with the construction of its first, state of the art, Learning Center in 2001. Building upon this longstanding commitment to advanced education, the Pro Kids Academy was launched in the fall of 2015 to help underserved kids close the experience gap and develop the necessary core competencies to navigate the complex journey to college and ultimately career success. This is achieved by integrating existing golf and life skills programming with relevant curriculum in the areas of science, technology, engineering, and mathematics.

The Organization partnered with Feeding San Diego in the winter of 2018 as an Adult Care Food Program and Summer Food Service Program distribution site and has since provided over 125,000 free meals to youth facing hunger throughout San Diego County. In 2020 the Organization is partnering with subject matter experts to offer additional programming in financial literacy and science related to golf and life skills.

The Organization was incorporated as a 501(c)(3), not for profit organization in 1994. A small group of influential sports and business leaders partnered with the City of San Diego to provide underserved youth positive recreational activities and with an aim 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.

PRO KIDS GOLF ACADEMY, INC.
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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.

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 six cash accounts at a national investment firm. At various times, cash balances may exceed federally insured deposit limits (FDIC). As of December 31, 2021 and 2020, the Organization exceeded this limit by approximately \$482,088 and \$341,332, 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.

Receivables – Receivables include pledges receivable which 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, 2021 and 2020, no pledges are considered uncollectible.

Inventory - The Organization values its inventory at the lower of cost or net realizable value 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.
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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, 2021 and 2020.

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 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.

The Organization follows FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, which provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods and services. The standard also clarifies the principal versus agent considerations. Providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

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.

In-kind 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. The fair value of donated goods has been measured on a nonrecurring basis using quoted

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NOTES TO THE FINANCIAL STATEMENTS
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prices for similar financial statement elements in inactive markets (Level 2 inputs). All donated services recognized create a non-financial asset or required specialized skills that would have been purchased if not donated. In kind donations for the years ended December 31, 2021 and 2020, were approximately \$122,500 and \$0, respectively. Of the total donations in 2021, two assets totaling \$49,896 were capitalized and the remaining \$72,685 was recorded as revenue and expense.

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, 2021 and 2020, the Organization had no accrued interest or penalties related to uncertain tax positions.

Reclassification – The Organization has classified certain prior year information to conform to the current year presentation. These reclassifications did not affect change in net assets or ending net assets.

NOTE 3 RECEIVABLES

For the year ended December 31, 2021 and 2020, receivables consisted of donations receivable of approximately \$56,900 and \$2,150,000. These are stated at outstanding balances, less any allowance for doubtful accounts and are expected to be collected within one year of the date of the statements of financial position. The Organization provides for losses on receivables using the allowance methods. The allowance is based on experience. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. For the year ended December 31, 2021 and 2020, management wrote off \$0 and \$51,000, respectively, of its receivables.

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NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	2021	2020
Colina Park:		
Leasehold improvements	\$ 4,231,173	\$ 4,231,173
Golf course equipment	498,227	431,939
Program furniture, fixtures and equipment	316,475	343,654
Vehicles	127,950	127,950
	<u>5,173,825</u>	<u>5,134,716</u>
Oceanside:		
Leasehold improvements	2,772,669	2,772,669
Program furniture, fixtures, and equipment	92,766	85,966
Vehicles	65,215	65,215
	<u>2,930,650</u>	<u>2,923,850</u>
	8,104,475	8,058,566
Less accumulated depreciation	<u>(3,459,276)</u>	<u>(3,174,041)</u>
	<u>\$ 4,645,199</u>	<u>\$ 4,884,525</u>

Depreciation expense was \$330,675 and \$321,737 for the years ended December 31, 2021 and 2020, respectively.

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.

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

Financial assets carried at fair value and measured on a recurring basis at December 31, 2021 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Exchange traded funds	\$ 2,803,183	\$ -	\$ -	\$ 2,803,183
Corporate bonds	-	315,363	-	315,363
Mutual funds	84,023	-	-	84,023
	<u>\$ 2,887,206</u>	<u>\$ 315,363</u>	<u>\$ -</u>	<u>\$ 3,202,569</u>

Financial assets carried at fair value and measured on a recurring basis at December 31, 2020 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Exchange traded funds	\$ 650,437	\$ -	\$ -	\$ 650,437
Corporate bonds	-	223,334	-	223,334
Mutual funds	63,658	-	-	63,658
	<u>\$ 714,095</u>	<u>\$ 223,334</u>	<u>\$ -</u>	<u>\$ 937,429</u>

NOTE 6 INVESTMENTS

Investments are held at fair market value and consist of the following at December 31, 2021:

	Cost	Fair value
Exchange traded funds	\$ 2,570,931	\$ 2,803,183
Corporate bonds	307,713	315,363
Mutual funds	58,237	84,023
	<u>\$ 2,936,881</u>	<u>\$ 3,202,569</u>

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Investments are held at fair market value and consist of the following at December 31, 2020:

	Cost	Fair value
Exchange traded funds	\$ 469,318	\$ 650,437
Corporate bonds	211,770	223,334
Mutual funds	62,758	63,658
	<u>\$ 743,846</u>	<u>\$ 937,429</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, 2021:

	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 41,203	\$ 10,777	\$ 51,980
Investment gain/(loss)	200,035	(10,264)	189,771
Investment fees	(23,120)	-	(23,120)
	<u>\$ 218,118</u>	<u>\$ 513</u>	<u>\$ 218,631</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, 2020:

	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 17,065	\$ 10,778	\$ 27,843
Investment gain	89,015	6,230	95,245
Investment fees	(7,098)	-	(7,098)
	<u>\$ 98,982</u>	<u>\$ 17,008</u>	<u>\$ 115,990</u>

NOTE 7 LINE OF CREDIT

The Organization agreement was extended on August 18, 2021 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 1.75%, but no less than 5.00%. The lender's prime rate was 3.25% at December 31, 2021 and 2020. As of December 31, 2021 and 2020, \$0 had been drawn on the line. The line of credit is set to expire on September 1, 2022. Interest expense related to the line is \$0 for the years ended December 31, 2021 and 2020, 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 \$3,853 and \$3,500 for the years ended December 31, 2021 and 2020, respectively.

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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, 2021 and 2020 was \$3,000.

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

2022	\$ 23,550
2023	21,381
2024	7,016
2025	7,157
2026	7,302
Thereafter	<u>105,671</u>
	<u>\$ 172,078</u>

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 fund had a balance of \$216,408 and \$226,672 at December 31, 2021 and 2020, respectively. The amount to be held in perpetuity was \$215,116 as of December 31, 2021 and 2020.

O'Brien Fund- In 2020, the Organization received an unrestricted donation through the estate of Owen and Marilyn O'Brien, who were long-term supporters of the Organization. To honor this contribution, the Organization's Board of Directors established a quasi-endowment fund, the O'Brien Fund, in 2021. The O'Brien fund and its earnings are unrestricted. The fund had a balance of \$2,512,686 and \$0 at December 31, 2021 and 2020, 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.

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The Organization's Board of Directors oversees the funds' investment, appropriation for expenditures, 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 Organization has the following endowment related activities and changes in endowment net assets for the year ending December 31, 2021:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Beginning of year	\$ -	\$ 226,672	\$ 226,672
Contributions	-	-	-
Board designation	2,382,726	-	2,382,726
Dividends and interest	25,949	10,777	36,726
Investment gain/(loss)	104,011	(10,264)	93,747
Amounts appropriated for expenditures	-	(10,777)	(10,777)
Endowment net assets, end of year	<u>\$ 2,512,686</u>	<u>\$ 216,408</u>	<u>\$ 2,729,094</u>

The Organization has the following endowment related activities and changes in endowment net assets for the year ending December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Beginning of year	\$ -	\$ 220,441	\$ 220,441
Contributions	-	-	-
Dividends and interest	-	10,778	10,778
Investment gain	-	6,229	6,229
Amounts appropriated for expenditures	-	(10,776)	(10,776)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 226,672</u>	<u>\$ 226,672</u>

The Organization received donations that are to be held in perpetuity, \$60,000 and \$40,000 in the years ended December 31, 2021 and 2020, respectively, with the purpose to establish the Gary W. Fiedler Memorial Fund. At the time of issuing the 2020 financials, the intention was being determined and the funds were reported as unrestricted. In 2021, the funds were determined to be perpetual in nature. The establishment of the endowment fund is in process, and as such the amounts are not reflected in the schedules above.

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NOTE 10 NET ASSETS

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Capital expenditures	\$ 1,500	\$ 167,007
Purpose restriction accomplished:		
Scholarships	3,014	3,000
	<u>\$ 4,514</u>	<u>\$ 170,007</u>

Net assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
With donor restrictions:		
Subject to expenditure for specific purpose:		
Scholarships	\$ 102,262	\$ 49,762
General programs	74,576	-
Legal support	<u>7,372</u>	<u>7,372</u>
	184,210	57,134
Subject to capital expenditures	-	1,501
Investment in perpetuity	<u>315,116</u>	<u>255,116</u>
	499,326	313,751
Without donor restrictions:		
Board designated - operations and general reserves	522,409	522,409
Board designated - future unrestricted endowment	-	2,382,726
Board designated - unrestricted endowment	2,512,686	-
Unrestricted and undesignated	<u>5,545,046</u>	<u>5,491,776</u>
	8,580,141	8,396,911
	<u>\$ 9,079,467</u>	<u>\$ 8,710,662</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 SPECIAL EVENTS

Special event revenues and expenses consist of the following for years ended December 31, 2021 and 2020:

	2021	2020
Revenue:		
Sponsorships	\$ 543,500	\$ -
Donations	387,720	50,000
Auction proceeds	32,702	-
Ticket sales	16,850	12,355
	<u>980,772</u>	<u>62,355</u>
Expenses:		
Other expenses	46,188	23,045
Direct benefit to donors	76,850	-
	<u>123,038</u>	<u>23,045</u>
Net special events revenue	<u>\$ 857,734</u>	<u>\$ 39,310</u>

NOTE 13 PAYCHECK PROTECTION PROGRAM

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). Organizations who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Organization.

In April 2020, the Organization received a loan totaling \$275,000 under the PPP. The loans bear interest at 1.0%, with principal and interest payments deferred for the first six months of the loans. After that, the loans and interest would be paid back over a period of 18 months, if the loans are not forgiven under the terms of the PPP. In December 2020, the Organization received forgiveness for the above PPP loan.

In February 2021, the Organization received a loan totaling \$246,404 under the PPP "second draw." The loan bears interest at 1.0%, with principal and interest payments deferred for the first six months of the loans. After that, the loans and interest would be paid back over a period of 18 months, if the loans are not forgiven under the terms of the PPP. In October 2021, the Organization received forgiveness for the second draw of the PPP loan.

The Organization has decided that the PPP loans should be accounted for as a government grant. As GAAP does not contain guidance on the accounting for government grants, the Organization is following the guidance in International Accounting Standards, or IAS, 20, Accounting for Government Grants and Disclosure of Government Assistance. Under the provisions of IAS 20, "a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan." Under IAS 20, government grants are recognized in income

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as required activities are undertaken. Included in other income on the statement of activities and changes in net assets for the years ended December 31, 2021 and 2020, are the full amount of the PPP loan, \$246,404 and \$275,000, respectively, and no liability for the PPP loan is reflected in the statement of financial position as of December 31, 2021 and 2020.

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, 2021 and 2020 was \$20,551 and \$17,329, respectively. All contributions to the plan are 100% vested.

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, 2021 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 at December 31:

	2021	2020
Financial assets at year-end:		
Cash	\$ 1,316,781	\$ 880,860
Receivables	56,938	2,156,938
Investments	3,202,569	937,429
	<u>4,576,288</u>	<u>3,975,227</u>
Less:		
Donor imposed restrictions making financial assets unavailable for general expenditure	499,326	313,751
Board designated - operations and general reserves	522,409	522,409
Board designated - future unrestricted endowment	-	2,382,726
Board designated - unrestricted endowment	2,512,686	-
Financial assets not available to be used within one year	<u>3,534,421</u>	<u>3,218,886</u>
Financial assets available to meet general expenditure within one year	<u><u>\$ 1,041,867</u></u>	<u><u>\$ 756,341</u></u>

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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.

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 September 1, 2022, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.