

**PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

PRO KIDS GOLF ACADEMY, INC.

	<u>Pages</u>
I Index	1
II Independent auditor's report	2 - 3
III Statements of financial position	4
IV Statements of activities and changes in net assets	5
V Statements of functional expenses	6 - 7
VI Statements of cash flows	8
VII Notes to the financial statements	9 - 22

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, 2022 and 2021, 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, 2022 and 2021, 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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May 8, 2023

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PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

Page 4

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,577,634	\$ 1,316,781
Receivables (note 3)	127,252	56,938
Inventory	10,158	7,474
Prepaid expenses	<u>21,278</u>	<u>73,485</u>
	1,736,322	1,454,678
PROPERTY AND EQUIPMENT (note 4)	4,385,636	4,645,199
OTHER ASSETS		
Investments (note 6)	2,718,230	3,202,569
Right of use assets (note 8)	<u>217,128</u>	<u>-</u>
	<u>2,935,358</u>	<u>3,202,569</u>
TOTAL ASSETS	<u><u>9,057,316</u></u>	<u><u>9,302,446</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	140,695	146,684
Unearned revenue	29,097	76,604
Lease liability - current (note 8)	<u>19,344</u>	<u>-</u>
	189,136	223,288
LONG-TERM LIABILITIES		
Lease liability (note 8)	<u>200,436</u>	<u>-</u>
TOTAL LIABILITIES	389,572	223,288
NET ASSETS (note 10)		
Without donor restrictions	8,171,789	8,579,832
With donor restrictions	<u>495,955</u>	<u>499,326</u>
	<u>8,667,744</u>	<u>9,079,158</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,057,316</u></u>	<u><u>\$ 9,302,446</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, 2022 AND 2021

Page 5

	<u>2022</u>	<u>2021</u>
REVENUE WITHOUT DONOR RESTRICTIONS		
Donations	\$ 1,256,214	\$ 1,201,106
Golf course	494,642	488,245
Other income (note 13)	215,732	397,149
Investment return	(528,924)	218,118
In-kind donations	<u>19,336</u>	<u>73,384</u>
	1,457,000	2,378,002
Special events, net (note 12)		
Special events revenue	1,473,168	980,772
Direct benefits to donors	<u>(96,050)</u>	<u>(76,850)</u>
	1,377,118	903,922
NET ASSETS RELEASED FROM RESTRICTION		
Restriction satisfied by payments	<u>129,576</u>	<u>4,514</u>
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS	2,963,694	3,286,438
OPERATING EXPENSES		
Program services	2,860,792	2,586,273
Management and general	234,080	224,817
Development	<u>276,865</u>	<u>292,428</u>
	<u>3,371,737</u>	<u>3,103,517</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(408,043)	182,921
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations	149,698	189,576
Investment return	(23,493)	513
Net assets released from restrictions	<u>(129,576)</u>	<u>(4,514)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(3,371)</u>	<u>185,575</u>
TOTAL CHANGE IN NET ASSETS	(411,414)	368,496
NET ASSETS, BEGINNING	<u>9,079,158</u>	<u>8,710,662</u>
NET ASSETS, ENDING	<u><u>\$ 8,667,744</u></u>	<u><u>\$ 9,079,158</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, 2022

Page 6

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Auto	\$ 12,127	\$ -	\$ -	\$ 12,127
Facility and equipment maintenance	320,310	9,736	9,736	339,782
Food and beverage	-	-	22,768	22,768
Insurance	55,900	6,988	6,988	69,875
Marketing	-	-	3,468	3,468
Office and administrative	40,496	36,801	12,710	90,007
Outside services	63,061	45,367	48,062	156,490
Personnel	1,549,638	70,330	153,661	1,773,629
Production	191,898	-	71,421	263,319
Professional development	11,013	-	-	11,013
Professional services	-	18,500	-	18,500
Rent	10,800	-	-	10,800
Scholarships	147,969	-	-	147,969
Supplies	68,040	1,882	1,190	71,112
Training and education	4,065	-	-	4,065
Travel and meals	22,227	1,811	246	24,284
Utilities and telephone	85,266	10,658	10,658	106,583
Youth events	21,926	-	-	21,926
TOTAL EXPENSES BEFORE DEPRECIATION	2,604,736	202,073	340,908	3,147,716
Depreciation	256,057	32,007	32,007	320,071
TOTAL EXPENSES	2,860,792	234,080	372,915	3,467,787
Less: Direct benefits to donors at special events included in revenue	-	-	(96,050)	(96,050)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 2,860,792</u>	<u>\$ 234,080</u>	<u>\$ 276,865</u>	<u>\$ 3,371,737</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

Page 7

	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	224,817	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>\$ 224,817</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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Page 8

	<u>2022</u>	<u>2021</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (411,414)	\$ 368,496
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating lease amortization	2,652	-
Depreciation	320,071	330,675
Unrealized gain/(loss) on investments	560,166	(189,771)
Income from loan forgiveness	-	(246,404)
Change in operating assets and liabilities:		
Receivables	(70,314)	2,100,000
Inventory	(2,684)	(1,799)
Prepaid expenses	52,207	(11,034)
Accounts payable and accrued expenses	(5,989)	9,584
Unearned revenue	(47,507)	(3,512)
	<u>808,602</u>	<u>1,987,739</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	397,188	2,356,235
CASH FLOWS USED BY INVESTING ACTIVITIES		
Proceeds on sales of investments	401,510	339,696
Acquisitions of investments	(477,337)	(2,415,065)
Acquisitions of property and equipment	(60,508)	(91,349)
NET CASH USED BY INVESTING ACTIVITIES	(136,335)	(2,166,718)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds received from note payable	<u>-</u>	<u>246,404</u>
NET CHANGE IN CASH	260,853	435,921
CASH, BEGINNING OF YEAR	<u>1,316,781</u>	<u>880,860</u>
CASH, END OF YEAR	<u><u>\$ 1,577,634</u></u>	<u><u>\$ 1,316,781</u></u>

See accompanying notes

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 9

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 \$2.9 million to more than 292 scholars as of December 31, 2022, 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 advance 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 128,000 free meals to youth facing hunger throughout San Diego County. In 2020 the Organization partnered 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.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 10

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 three 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, 2022 and 2021, the Organization exceeded this limit by approximately \$788,070 and \$482,088, 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, 2022 and 2021, 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.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 11

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, 2022 and 2021.

Leases - The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. Assets acquired under finance leases are recorded in property and equipment. All other leases are categorized as operating leases. The Organization had no finance leases at December 31, 2022 and 2021.

Lease liabilities are recognized as the present value of the fixed lease payments. Lease assets are recognized based on the initial present value of the fixed lease payments upon lease commencement. Costs associated with operating lease assets are recognized on a straight-line basis with operating expenses over the term of the lease.

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

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 12

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 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, 2022 and 2021, were approximately \$19,300 and \$122,500, respectively. All in-kind donations in 2022 were recorded as revenue and expense. 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, 2022 and 2021, the Organization had no accrued interest or penalties related to uncertain tax positions.

Recent accounting pronouncements

In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the consolidated balance sheets as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the consolidated financial statements.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 13

The Organization adopted the guidance effective January 1, 2022 by recognizing and measuring leases at the adoption date and cumulative effect of initially applying the guidance recognized at the date of initial application and as a result did not restate the prior periods presented in the financial statements. The Organization elected certain practical expedients permitted under the transitional guidance, including retaining historical lease classification, evaluating whether any expired contracts are or contain leases, and not applying hindsight in determining the lease term. Lastly the Organization elected the short-term lease exception for all classes of assets, and therefore does not apply the recognition requirements for leases of 12 months or less.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contribution of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements. The Organization adopted Topic 958 as of January 1, 2022.

NOTE 3 RECEIVABLES

For the year ended December 31, 2022 and 2021, receivables consisted of donations receivable of approximately \$127,300 and \$56,900. 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 method. 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, 2022 and 2021, management did not write off any receivables.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 14

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	<u>2022</u>	<u>2021</u>
Colina Park:		
Leasehold improvements	\$ 4,268,156	\$ 4,231,173
Golf course equipment	506,518	498,227
Program furniture, fixtures and equipment	316,150	316,475
Vehicles	<u>102,630</u>	<u>127,950</u>
	5,193,454	5,173,825
Oceanside:		
Leasehold improvements	2,774,902	2,772,669
Program furniture, fixtures, and equipment	94,053	92,766
Vehicles	<u>65,215</u>	<u>65,215</u>
	<u>2,934,170</u>	<u>2,930,650</u>
	8,127,624	8,104,475
Less accumulated depreciation	<u>(3,741,988)</u>	<u>(3,459,276)</u>
	<u>\$ 4,385,636</u>	<u>\$ 4,645,199</u>

Depreciation expense was \$320,071 and \$330,675 for the years ended December 31, 2022 and 2021, 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.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 15

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, 2022 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Exchange traded funds	\$ 2,379,238	\$ -	\$ -	\$ 2,379,238
Corporate bonds	-	338,992	-	338,992
	<u>\$ 2,379,238</u>	<u>\$ 338,992</u>	<u>\$ -</u>	<u>\$ 2,718,230</u>

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>

NOTE 6 INVESTMENTS

Investments are held at fair market value and consist of the following at December 31, 2022:

	Cost	Fair value
Exchange traded funds	\$ 2,558,815	\$ 2,379,238
Corporate bonds	385,868	338,992
	<u>\$ 2,944,683</u>	<u>\$ 2,718,230</u>

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>

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 16

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, 2022:

	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 54,902	\$ 10,788	\$ 65,690
Investment gain/(loss)	(561,771)	(34,281)	(596,052)
Investment fees	(22,055)	-	(22,055)
	<u>\$ (528,924)</u>	<u>\$ (23,493)</u>	<u>\$ (552,417)</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>

NOTE 7 LINE OF CREDIT

The Organization has an unsecured line of credit with a commercial bank for \$300,000. The interest rate on the line is the lender's prime rate plus 2.25%, but no less than 7.75%. The lender's prime rate was 5.50% at December 31, 2022 and 2021. As of December 31, 2022 and 2021, no amounts had been drawn on the line. The line of credit is set to expire on September 1, 2025.

There was no interest expense related to the line for the years ended December 31, 2022 and 2021.

NOTE 8 LEASES

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 December 31, 2022, the Organization amended their 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. In July 2010, the Organization entered into a thirty year lease agreement with the City of Oceanside for its Oceanside facility. The annual rent base is \$3,000 with \$1,000 increases every 10 years. The operating lease costs were \$8,148 for the year ended December 31, 2022. Rent expense was \$6,853 for the year ended December 31, 2021.

In May 2022, the Organization entered into a five year software service agreement. The monthly payment is \$166. The operating costs are recorded in outside services on the statement of functional expenses.

The Organization has a lease agreement for office equipment. The monthly payment is based on the number of pages printed with a minimum of \$1,067 per month. Additional charges may be incurred

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 17

based on usage. In March 2023, the Organization renewed their lease agreement under a five year term. The operating costs are recorded in office and administrative on the statement of functional expenses.

As the leases do not provide an implicit rate, the Organization uses a risk-free discount rate. The Organization elected to use the 10 year Treasury bill rate as of the transition date as the risk-free discount rate. The weighted average discount rate is 1.63% as of December 31, 2022.

Future minimum lease payments related to the operating lease liability for the years ended December 31 are as follows:

	2023	\$ 22,926
	2024	23,071
	2025	23,220
	2026	23,375
	2027	22,041
	Thereafter	<u>133,734</u>
Total undiscounted lease payments		248,367
Less: present value discount		<u>(28,587)</u>
Total lease liability		<u>\$ 219,780</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 \$217,915 and \$216,408 at December 31, 2022 and 2021, respectively. The amount to be held in perpetuity was \$215,116 as of December 31, 2022 and 2021.

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 \$2,178,747 and \$2,512,686 at December 31, 2022 and 2021, 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

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 18

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'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, 2022:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Beginning of year	\$ 2,512,686	\$ 216,408	\$ 2,729,094
Additions	62,500	25,000	87,500
Dividends and interest	40,252	10,788	51,040
Investment loss	(419,435)	(34,281)	(453,716)
Investment fees	(17,256)	-	(17,256)
Endowment net assets, end of year	<u>\$ 2,178,747</u>	<u>\$ 217,915</u>	<u>\$ 2,396,662</u>

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
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 received donations that are to be held in perpetuity, \$19,000, \$60,000 and \$40,000 in the years ended December 31, 2022, 2021 and 2020, respectively, with the purpose to establish the Gary W. Fiedler Memorial Fund. 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.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 19

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Capital expenditures	\$ -	\$ 1,500
Purpose restriction accomplished:		
Scholarships	110,000	3,014
General programs	19,576	-
	<u>\$ 129,576</u>	<u>\$ 4,514</u>

Net assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
With donor restrictions:		
Subject to expenditure for specific purpose:		
Capital improvements	\$ 77,000	\$ -
Scholarships	56,268	102,262
General programs	20,000	74,576
Legal support	7,372	7,372
College prep	1,199	-
	<u>161,839</u>	<u>184,210</u>
Investment in perpetuity	<u>334,116</u>	<u>315,116</u>
	495,955	499,326
Without donor restrictions:		
Board designated - operations and general reserves	533,416	522,409
Board designated - unrestricted endowment	2,178,748	2,512,686
Unrestricted and undesignated	5,459,625	5,544,737
	<u>8,171,789</u>	<u>8,579,832</u>
	<u>\$ 8,667,744</u>	<u>\$ 9,079,158</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.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 20

NOTE 12 SPECIAL EVENTS

Special event revenues and expenses consist of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Revenue:		
Sponsorships	\$ 659,750	\$ 543,500
Donations	659,910	387,720
Auction proceeds	90,040	32,702
Ticket sales	49,950	16,850
Other	13,518	-
	<u>1,473,168</u>	<u>980,772</u>
Expenses:		
Other expenses	287,300	46,188
Direct benefit to donors	96,050	76,850
	<u>383,350</u>	<u>123,038</u>
Net special events revenue	<u><u>\$ 1,089,818</u></u>	<u><u>\$ 857,734</u></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 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 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, 2022 and 2021, is the full amount of the PPP loan, \$0 and \$246,404, respectively. No liability for the PPP loan is reflected in the statement of financial position as of December 31, 2022 and 2021.

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 21

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, 2022 and 2021 was \$21,486 and \$20,551, 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, 2022 and 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:

	2022	2021
Financial assets at year-end:		
Cash	\$ 1,577,634	\$ 1,316,781
Receivables	127,252	56,938
Investments	2,718,230	3,202,569
	<u>4,640,244</u>	<u>4,576,288</u>
Less:		
Donor imposed restrictions making financial assets unavailable for general expenditure	495,955	499,326
Board designated - operations and general reserves	533,416	522,409
Board designated - unrestricted endowment	2,178,748	2,512,686
Financial assets not available to be used within one year	<u>3,208,119</u>	<u>3,534,421</u>
Financial assets available to meet general expenditure within one year	<u>\$ 1,432,125</u>	<u>\$ 1,041,867</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

PRO KIDS GOLF ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 22

- 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 May 8, 2023, 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.