

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
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CLEVELANDGROUP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Professional Disc Golf Association, Inc.

We have audited the accompanying financial statements of the Professional Disc Golf Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Professional Disc Golf Association, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Cleveland Group

Martinez, Georgia
July 23, 2018

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 1,213,350	\$ 850,209
Accounts receivable, net	62,349	303,874
Inventory	81,107	51,489
Prepaid expenses	190,130	200,438
Total current assets	<u>1,546,936</u>	<u>1,406,010</u>
Non-current assets		
Endowment fund	50,094	22,902
Property and equipment, net	53,132	59,628
Intangible asset	300,000	59,628
Total non-current assets	<u>403,226</u>	<u>82,530</u>
Total assets	<u>\$ 1,950,162</u>	<u>\$ 1,488,540</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 132,577	\$ 86,668
Accrued liabilities	1,639	3,446
Accrued leave compensation	13,813	15,045
Deferred revenue	590,722	561,362
Current portion of long-term debt	75,000	-
Total current liabilities	<u>813,751</u>	<u>666,521</u>
Long-term obligations, less current portion	<u>150,000</u>	<u>-</u>
Net assets		
Temporarily restricted net assets	50,094	22,902
Unrestricted net assets	936,316	799,117
Total net assets	<u>986,410</u>	<u>822,019</u>
Total liabilities and net assets	<u>\$ 1,950,162</u>	<u>\$ 1,488,540</u>

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

CHANGE IN UNRESTRICTED NET ASSETS	2017	2016
Unrestricted revenue		
Dues and membership fees	\$ 1,994,540	\$ 1,684,626
Tournament events	1,334,183	1,018,526
Merchandise	199,774	222,235
Sponsors	99,052	94,616
Investment earnings	16	47
Other income	7,021	30,506
Total unrestricted revenue	<u>3,634,585</u>	<u>3,050,556</u>
 Expenses		
Program services	2,589,586	1,964,676
Management and general	907,800	778,889
Total expenses	<u>3,497,386</u>	<u>2,743,565</u>
 Net increase in unrestricted net assets	<u>137,199</u>	<u>306,991</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contribution revenue	30,213	7,773
Administrative fee	(3,021)	(777)
Net assets released from restrictions	<u>-</u>	<u>-</u>
 Net increase in temporarily restricted net assets	<u>27,192</u>	<u>6,996</u>
 Net increase in net assets	164,391	313,987
 Net assets, beginning of year	<u>822,019</u>	<u>508,032</u>
Net assets, end of year	<u><u>\$ 986,410</u></u>	<u><u>\$ 822,019</u></u>

PROFESSIONAL DISC GOLF ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 164,391	\$ 313,987
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	22,070	24,570
Loss on disposals of property and equipment	3,220	-
Changes in operating assets and liabilities providing (using) cash:		
Accounts receivable	241,526	63,444
Inventory	(29,618)	(2,119)
Prepaid expenses	10,308	(47,076)
Accounts payable	45,909	(13,003)
Accrued liabilities	(1,807)	999
Accrued leave compensation	(1,232)	5,879
Deferred revenue	29,360	87,378
Net cash provided by operating activities	<u>484,127</u>	<u>434,059</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18,794)	(30,624)
Net cash used in investing activities	<u>(18,794)</u>	<u>(30,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings net repayments long-term obligations	(75,000)	-
Investment in endowment	(27,192)	(6,996)
Net cash used in financing activities	<u>(102,192)</u>	<u>(6,996)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	363,141	396,439
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>850,209</u>	<u>453,770</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,213,350</u></u>	<u><u>\$ 850,209</u></u>

PROFESSIONAL DISC GOLF ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities - The Professional Disc Golf Association (the "Association") has been incorporated since 2000. The Association was formed to promote the development of disc golf as a sport for all ages. Standard Rules of Play are issued from the Association to guide officials in tournament formats, rules, equipment and other aspects of disc golf. The members are eligible to compete in national and international, professional and amateur disc golf tournaments and competitions throughout the United States of America and around the world. The Association generates revenues primarily through membership dues, tournament events, and merchandise sales.

Basis of accounting and use of estimates - The financial statements of the Association have been prepared on the accrual basis of accounting and follow accounting principles generally accepted in the United States of America as applied to nonprofit organizations. The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation - The Association reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. Accordingly, all financial transactions have been recorded and reported by the following categories:

Unrestricted - Net assets that are not subject to donor-imposed restrictions and are fully available at the discretion of management and the Board of Directors to be used to carry out the operations of the Association in accordance with its bylaws.

Temporarily restricted - Net assets subject to donor-imposed restrictions that will be met either by actions of the Association and or the passage of time. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Association had \$50,094 and \$22,902 in temporarily restricted net assets as of December 31, 2017 and 2016, respectively. See "Note 3" for additional details on the temporarily restricted net assets as of December 31, 2017.

Permanently restricted - Net assets subject to donor-imposed restrictions that require the assets be maintained permanently by the Association. As of December 31, 2017 and 2016, the Association had no permanently restricted net assets.

Cash and cash equivalents - The Association considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. At times, these deposits are in excess of the Federal Deposit Insurance Corporation limit.

Inventory - The Association's inventory consists primarily of disc golf related goods and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Accounts receivable - Accounts receivable represents amounts due from the Association's various revenue sources. The Association's accounts receivable consists of membership fees, sanctioning fees, official's exams, online store sales and advertising billed but not yet received. Accounts are written-off when deemed uncollectible and a reserve is established for potentially uncollectible accounts. Accounts are generally unsecured and credit losses have been within management's expectations. As of December 31, 2017 and 2016, the allowance for doubtful account balances totaled \$2,400 and \$38,175, respectively.

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, (continued)

Property and equipment - Property and equipment are stated at cost. Donated property and equipment are stated at fair value as estimated by management. Renewals and betterments are capitalized at cost and maintenance and repairs are charged to expense as incurred. Depreciation is computed over the estimated useful lives of assets using the straight-line method.

Intangible assets – Intangible assets represent costs incurred to obtain various domain names each estimating to have an indefinite life. During the year ended December 31, 2017, the Association's total intangible assets amounted to \$300,000.

Revenue recognition - Membership dues are recognized as revenue when earned over the applicable membership period. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the Association's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value. Any unearned amounts are included in deferred revenue at the end of each accounting period.

Donated services - A substantial number of unpaid volunteers have made significant contributions of their time to the Association. The value of their time is not reflected in these financial statements because it is not susceptible to objective measurement and valuation.

Income taxes - The Association is a not-for-profit organization and is exempt from federal income tax under Section 501(c) of the Internal Revenue Code other than net unrelated business income. There was no unrelated business income tax required to be reported in the accompanying financial statements for the years ended December 31, 2017 and 2016.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Income tax and information returns for the years ended December 31, 2015 or later remain subject to examination by various taxing authorities.

Allocation of expenses - The Association allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs and support services are directly allocated thereto. Other expenses that are common to several functions are allocated by percentages determined by management.

Advertising - Advertising costs are expensed as incurred.

PROFESSIONAL DISC GOLF ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 2 - PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, property and equipment are as follows:

NOTE 2 -- Property and Equipment

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 248,390	\$ 251,784
Construction in process	-	8,206
less accumulated depreciation	(195,258)	(200,362)
	<u>\$ 53,132</u>	<u>\$ 59,628</u>

NOTE 3 – ENDOWMENT FUND

During the year ended December 31, 2017, the Association recognized contributions to one endowment fund held by The Disc Golf Foundation, (the "Foundation") for the benefit of the Association. The funds are to be used for the construction of courses and other International Disc Golf Center site facilities and to furnish the International Disc Golf Center headquarters building, on an ongoing basis. The Foundation holds any contributions received in a bank account until funds are requested by the Association in accordance with a Memorandum of Understanding between the Association and the Foundation. The Foundation retains 10% of each contribution as an administrative cost for managing the fund.

All of the activity in the endowment fund for the year ended December 31, 2017 was temporarily restricted.

Endowment net assets, 12/31/2015	\$ 15,906
Contributions	7,773
Administrative fee	<u>(777)</u>
Endowment net assets, 12/31/2016	22,902
Contributions	30,213
Administrative fee	<u>(3,021)</u>
Endowment net assets, 12/31/2017	<u>\$ 50,094</u>

NOTE 4 – LONG-TERM OBLIGATIONS

	<u>2017</u>	<u>2016</u>
Note payable to individual, requiring annual payments of \$75,000, interest free, due December 2020	\$ 225,000	\$ -
	<u>225,000</u>	<u>-</u>
Less: current portion of long-term obligations	75,000	-
	<u>\$ 150,000</u>	<u>\$ -</u>

Aggregate maturities of long-term obligations subsequent to December 31, 2017 are as follows:

31-Dec-18	\$ 75,000
31-Dec-19	75,000
31-Dec-20	<u>75,000</u>
	<u>\$ 225,000</u>

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 - REVENUE AGREEMENT WITH COLUMBIA COUNTY

Under an agreement dated July 21, 2009, the Association operates the Disc Golf Center as a public facility available to all individuals. On a monthly basis, Columbia County is to receive 3% of user fees and net revenues from merchandise sales, food sales, other sales, vending machines, lessons, seminars, tournaments and other events held at the Disc Golf Center. For the years ended December 31, 2017 and 2016, amounts paid to Columbia County by the Association were immaterial to the financial statements as a whole.

NOTE 6 - CONCENTRATION

As of December 31, 2017 and 2016 approximately 16% and 84% of the Association's accounts receivable balance was from one source. Management does not consider this to be a material credit risk as a default in the amount due from this source would not have a significant impact on the Association's ability to meet its obligations.

NOTE 7 - LESSEE LEASE

On July 21, 2009, the Association entered into a lease agreement with Columbia County, Georgia. The lease agreement permits the Association use of the facility for \$600 per month which may be renewed every two years beginning April 1 of the year in which the renewal occurs.

The lease agreement was renewed on February 20, 2012 and included an increase to \$800 per month. For both of the years ended December 31, 2017 and 2016, the Association had total rent expense of \$9,600.

NOTE 8 - RETIREMENT PLAN

The Association sponsors a retirement plan covering employees with at least \$5,000 of compensation from the Association for the preceding year. The Association matches the first 3% of eligible employee contributions. Contributions to the plan made on behalf of the Association amounted to \$16,043 and \$15,531 for the years ended December 31, 2017 and 2016, respectively.

NOTE 9 - RISK MANAGEMENT

The Association is exposed to certain risk of loss, theft of, damage to and destruction of assets; errors and omissions; natural disaster; injuries to employees; and employee dishonesty. The Association maintains commercial insurance coverage to cover each of the above risks. The Association has not diminished its coverage during the years ended December 31, 2017 and 2016. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure.

NOTE 10 - SUBSEQUENT EVENTS

The Association has evaluated events through July 23, 2018, the day which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PROFESSIONAL DISC GOLF ASSOCIATION, INC
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Total
Salaries	\$ 303,124	\$ 303,124	\$ 606,249
Employee benefits and payroll taxes	65,214	65,212	130,426
Legal and professional fees	-	159,893	159,893
Postage and shipping	2,298	573	2,871
Office supplies	7,194	28,777	35,971
Telephone and communications	15,005	15,004	30,008
Rent and utilities	17,825	4,456	22,281
Conferences, conventions and meetings	30,658	30,657	61,314
Depreciation	11,035	11,035	22,070
Contract labor	3,180	-	3,180
Internet technology	211,334	211,334	422,668
Marketing and promotional	147,424	-	147,424
Member supplies and mailings	436,861	-	436,861
Merchandise and member service	615,583	-	615,583
Insurance	70,107	-	70,107
Travel	20,441	-	20,441
PDGA tournament and events	635,653	-	635,653
International events	13,725	-	13,725
Charitable donations	-	6,323	6,323
Bad debt (recoveries), net	(17,075)	-	(17,075)
Miscellaneous expenses	-	71,412	71,412
Total	\$ 2,589,586	\$ 907,800	\$ 3,497,386

PROFESSIONAL DISC GOLF ASSOCIATION, INC
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Total
Salaries	\$ 271,810	\$ 271,810	\$ 543,620
Employee benefits and payroll taxes	58,967	58,965	117,932
Legal and professional fees	-	106,616	106,616
Postage and shipping	1,711	427	2,138
Office supplies	2,133	8,531	10,664
Telephone and communications	14,666	14,665	29,331
Rent and utilities	15,554	3,889	19,443
Conferences, conventions and meetings	26,368	26,367	52,735
Contract labor	12,285	12,285	24,570
Depreciation	2,816	-	2,816
Internet technology	136,063	136,063	272,126
Marketing and promotional	99,387	-	99,387
Member supplies and mailings	354,371	-	354,371
Merchandise and member service	417,239	-	417,239
Insurance	47,409	-	47,409
Travel	26,589	-	26,589
PDGA tournaments and events	457,108	-	457,108
International events	20,618	-	20,618
Charitable donations	-	11,448	11,448
Bad debt (recoveries), net	(418)	-	(418)
Miscellaneous expenses	-	127,823	127,823
Total	\$ 1,964,676	\$ 778,889	\$ 2,743,565