

PROFESSIONAL DISC GOLF ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
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THE CLEVELAND GROUP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS, LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Professional Disc Golf Association
Appling, Georgia

We have audited the accompanying financial statements of the Professional Disc Golf Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of the Professional Disc Golf Association, Inc. as of December 31, 2012, were audited by other auditors whose report dated October 7, 2013, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statement

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 audit. We conducted our audit 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 consolidated 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 Professional Disc Golf Association, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 9 and 10 is presented for purposes of additional analysis and is 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 PricewaterhouseCoopers
Martinez, Georgia

December 16, 2014

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 271,956	\$ 458,799
Accounts receivable, net	519,104	345,524
Inventory	121,062	78,503
Prepaid expenses	34,200	20,800
Total current assets	<u>946,322</u>	<u>903,626</u>
Non-current assets		
Property and equipment, net	54,903	46,032
Total non-current assets	<u>54,903</u>	<u>46,032</u>
 Total assets	 <u>\$ 1,001,225</u>	 <u>\$ 949,658</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 65,444	\$ 60,343
Accrued liabilities	3,949	-
Deferred revenue	267,743	221,331
Total current liabilities	<u>337,136</u>	<u>281,674</u>
Net assets		
Unrestricted net assets	664,089	667,984
Total net assets	<u>664,089</u>	<u>667,984</u>
 Total liabilities and net assets	 <u>\$ 1,001,225</u>	 <u>\$ 949,658</u>

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

PROFESSIONAL DISC GOLF ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

CHANGE IN UNRESTRICTED NET ASSETS	<u>2013</u>	<u>2012</u>
Unrestricted revenue		
Dues and membership fees	\$ 1,023,721	\$ 1,032,295
Tournament events	747,425	708,915
Merchandise	162,576	115,894
Sponsors	78,663	89,877
Investment earnings	265	729
Other income	1,890	988
Total unrestricted revenue	<u>2,014,540</u>	<u>1,948,698</u>
 Expenses		
Program services	1,502,575	1,482,055
Management and general	515,860	491,359
Total expenses	<u>2,018,435</u>	<u>1,973,414</u>
 Net (decrease) in unrestricted net assets	<u>(3,895)</u>	<u>(24,716)</u>
Unrestricted net assets, beginning of year	<u>667,984</u>	<u>692,700</u>
Unrestricted net assets, end of year	<u>\$ 664,089</u>	<u>\$ 667,984</u>
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Not applicable	<u>-</u>	<u>-</u>
 CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Not applicable	<u>-</u>	<u>-</u>

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

PROFESSIONAL DISC GOLF ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (3,895)	\$ (24,716)
Adjustments to reconcile decrease in net assets to net cash (used in) operating activities:		
Depreciation	23,581	28,398
(Increase) decrease in accounts receivable	(173,579)	(141,145)
(Increase) decrease in inventory	(42,559)	(19,012)
(Increase) decrease in prepaid expenses	(13,400)	8,635
Increase (decrease) in accounts payable	5,101	8,221
Increase (decrease) in accrued expenses	3,949	-
Increase (decrease) in deferred revenue	46,412	7,639
Net cash (used in) operating activities	<u>(154,390)</u>	<u>(131,980)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(32,453)	(24,797)
Net cash (used in) investing activities	<u>(32,453)</u>	<u>(24,797)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease (increase) to endowment funds	-	9,053
Net cash provided by financing activities	<u>-</u>	<u>9,053</u>
 NET (DECREASE) IN CASH AND CASH EQUIVALENTS	 (186,843)	 (147,724)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>458,799</u>	 <u>606,523</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 271,956</u>	 <u>\$ 458,799</u>
 SUPPLEMENTAL INFORMATION:		
Interest paid	\$ -	\$ -
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

PROFESSIONAL DISC GOLF ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

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 carryout 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 an 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. As of December 31, 2013 and 2012, the Association had no temporarily restricted net assets.

Permanently restricted - Net assets subject to donor-imposed restrictions that require the assets be maintained permanently by the Association. As of December 31, 2013 and 2012, the Association had no permanently restricted net assets.

Cash and cash equivalents - For purposes of the statement of cash flows, the Association considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

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.

PROFESSIONAL DISC GOLF ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

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

Accounts receivable - Accounts receivable represent amounts due from the Organization's various revenue sources. The Association's accounts receivable consists of membership fees, sanctioning fees, officials exams, online store sales and advertising billed but not yet received. The Association uses the allowance method of recording bad debts for financial statement purposes based on management estimates. As of December 31, 2013 and 2012, the allowance for doubtful account balance was \$10,000 and \$7,000, respectively.

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, 2013 and 2012.

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, 2013 and 2012, 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, 2010 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 expenses as incurred.

PROFESSIONAL DISC GOLF ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Association places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Association from time to time may have amounts on deposit in excess of these insured limits. As of December 31, 2013 and 2012, the Association had no amounts in excess of these insured limits.

As of December 31, 2013 and 2012 approximately 94% and 86% of the Association's accounts receivable balance was from one source. A default in the amount due to the Association from this source would have a significant impact on the Association's ability to meet its obligations.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists primarily of furniture, fixtures and equipment and are carried at cost, net of accumulated depreciation. Donated property and equipment are stated at fair market value as estimated by management. The Association capitalizes acquisitions of property and equipment in excess of \$500. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains and losses on disposals are credited or charged to operations. Depreciation is computed using straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Depreciation expense for the years ended December 31, 2013 and 2012 was \$23,581 and \$28,398, respectively. At December 31, 2013 and 2012, property and equipment consisted of the following:

	2013	2012
Furniture and equipment	\$ 182,607	150,155
Less accumulated depreciation	(127,704)	(104,123)
Furniture and equipment, net	\$ 54,903	46,032

NOTE 4 - LEASE AGREEMENT

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 the years ended December 31, 2013 and 2012, the Association had total rent expense of \$9,600 and \$7,200, respectively.

NOTE 5 - 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, 2013 and 2012. Management believes that the coverage is adequate preclude any significant uninsured risk exposure.

PROFESSIONAL DISC GOLF ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 6 - 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, 2013 and 2012, amounts paid to Columbia County by the Association were immaterial to the financial statements as a whole.

NOTE 7 - RETIREMENT PLAN

Effective 2008, the Association elected to participate in a qualified SIMPLE IRA retirement plan (the "plan") with American Funds Group Investments under section 408(p) of the Internal Revenue Code. Employees with at least \$5,000 of compensation from the employer for the preceding year may participate in the plan. The Association elected a matching contribution equal to the amount the employee contributes up to 3% of the employee's compensation for the year. The Association's contribution to the plan amounted to \$9,918 and \$6,487 for the years ended December 31, 2013 and 2012.

NOTE 8- SUBSEQUENT EVENTS

The Association has evaluated events through December 16, 2014, the day which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PROFESSIONAL DISC GOLF ASSOCIATION, INC
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services	Management and General	Total
Salaries	\$ 187,402	\$ 187,401	\$ 374,803
Employee benefits and payroll taxes	37,083	37,082	74,165
Legal and professional fees	-	119,056	119,056
Postage and shipping	1,866	467	2,333
Office supplies	3,412	13,650	17,062
Telephone and communications	11,355	11,355	22,710
Rent and utilities	14,644	3,661	18,305
Conferences, conventions and meetings	23,069	23,068	46,137
Depreciation	11,791	11,790	23,581
Contract labor	15,006	-	15,006
Internet technology	103,000	103,000	205,999
Marketing and promotional	104,633	-	104,633
Member supplies and mailings	243,375	-	243,375
Merchandise and member service	277,098	-	277,098
Insurance	22,730	-	22,730
Training	-	-	-
Travel	-	-	-
PDGA tournament and events	421,123	-	421,123
International events	18,989	-	18,989
Charitable donations	-	1,413	1,413
Dues and subscriptions	-	-	-
Bad debt expense	6,000	-	6,000
Miscellaneous expenses	-	3,917	3,918
Total	<u>\$ 1,502,575</u>	<u>\$ 515,860</u>	<u>\$ 2,018,436</u>

See independent auditors' report.

PROFESSIONAL DISC GOLF ASSOCIATION, INC
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services	Management and General	Total
Salaries	\$ 179,531	\$ 179,531	\$ 359,062
Employee benefits and payroll taxes	41,079	41,079	82,158
Legal and professional fees	-	60,923	60,923
Postage and shipping	7,525	1,881	9,406
Office supplies	2,756	11,022	13,778
Telephone and communications	12,395	12,395	24,790
Rent and utilities	32,660	8,165	40,825
Conferences, conventions and meetings	14,482	14,482	28,964
Depreciation	14,199	14,199	28,398
Contract labor	47,541	-	47,541
Internet technology	113,421	113,421	226,842
Marketing and promotional	117,556	-	117,556
Member supplies and mailings	178,365	-	178,365
Merchandise and member service	314,335	-	314,335
Insurance	26,948	-	26,948
Training	-	2,614	2,614
Travel	4,401	7,539	11,940
PDGA tournaments and events	370,861	-	370,861
International events	-	-	-
Charitable donations	-	1,987	1,987
Dues and subscriptions	-	849	849
Bad debt expense	4,000	-	4,000
Miscellaneous expenses	-	21,271	21,271
Total	\$ 1,482,055	\$ 491,358	\$ 1,973,413