

Consolidated Financial Statements and
Supplementary Information, Independent
Auditors Report, and Report on State of
Florida Financial Assistance in
Accordance with State of Florida Rules of
the Auditor General

World Golf Foundation, Inc. and Subsidiaries

December 31, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
World Golf Foundation, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of World Golf Foundation, Inc. and Subsidiaries (collectively, the "Foundation") which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 Foundation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Golf Foundation, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of State of Florida Financial Assistance for the year ended December 31, 2019, as required by Florida Single Audit Act, *Audits of Non-Profit and For-Profit Organizations*, Chapter 10.656(3)(d)1, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 12, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Arlington, Virginia
May 12, 2020

World Golf Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 8,547,476	\$ 5,521,144
Investments	54,549,270	44,134,949
Accounts receivable	98,876	178,176
Contributions receivable, net	11,611,042	9,411,341
Property and equipment, net	12,802,700	14,589,580
Other assets	1,005,557	2,013,190
Total assets	\$ 88,614,921	\$ 75,848,380
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,446,702	\$ 3,328,745
Due to related party	1,016,000	-
Interest payable	51,609	64,484
Accrued pension cost	535,758	872,987
Deferred revenue	1,290,351	1,938,823
Debt	11,660,784	13,218,153
Total liabilities	18,001,204	19,423,192
NET ASSETS		
Without donor restrictions	32,741,993	23,740,655
With donor restrictions	37,871,724	32,684,533
Total net assets	70,613,717	56,425,188
Total liabilities and net assets	\$ 88,614,921	\$ 75,848,380

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

World Golf Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended December 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Operating revenues, gains and other support:		
Contributions	\$ 9,971,013	\$ 7,549,168
Net assets released from restrictions	24,563,164	27,882,413
Royalty, license and other fees	2,956,373	2,946,604
Admissions and special functions	3,252,559	3,045,271
Investment return, net	6,073,891	(276,691)
Other revenues	611,651	806,034
Total operating revenues, gains, and other support	47,428,651	41,952,799
Operating expenses:		
Program and supporting services:		
Hall of Fame	8,587,910	10,163,581
The First Tee	20,745,557	23,500,521
We Are Golf	1,512,757	1,005,121
Marketing and promotions:		
Hall of Fame	5,744,693	4,732,769
The First Tee	2,304,851	3,376,771
Total operating expenses	38,895,768	42,778,763
Total change in net assets without donor restrictions from current operations	8,532,883	(825,964)
Other change:		
Pension related changes other than net periodic costs	(468,455)	122,287
Change in net assets without donor restrictions	9,001,338	(948,251)
Changes in net assets with donor restrictions:		
Contributions - The First Tee and We Are Golf	29,285,498	16,580,173
Investment return, net	464,858	(159,794)
Net assets released from restrictions	(24,563,165)	(27,882,413)
Change in net assets with donor restrictions	5,187,191	(11,462,034)
CHANGE IN NET ASSETS	14,188,529	(12,410,285)
Net assets, beginning of year	56,425,188	68,835,473
Net assets, end of year	\$ 70,613,717	\$ 56,425,188

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

World Golf Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 14,188,529	\$ (12,410,285)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,027,640	2,229,779
Provision for bad debts	355,114	(96,729)
Discount on contributions receivable	450,175	(391,593)
Loss on disposal of fixed assets	22,082	1,185
Net unrealized (gains) losses on investments	(5,846,872)	1,875,000
Net realized losses (gains) on investments	1,167	(793,772)
Pension related changes other than net periodic pension cost	468,455	(122,287)
Proceeds on sale of contributed stock	1,229,284	898,568
Contributed stock	(1,229,284)	(796,149)
Change in certain operating assets and liabilities:		
Accounts receivable	79,300	78,122
Contributions receivable	(3,004,990)	3,171,568
Other assets	1,007,633	447,032
Accounts payable and accrued expenses	117,957	(1,789,809)
Due to related party	1,016,000	-
Interest payable	(12,875)	(12,545)
Accrued pension cost	(805,684)	103,803
Deferred revenue	(648,472)	(564,438)
Net cash provided by (used in) operating activities	9,415,159	(8,172,550)
Cash flows from investing activities:		
Purchases of property and equipment	(265,144)	(840,443)
Proceeds on the sale of property and equipment	2,302	-
Purchases of investments	(4,633,660)	(449,697)
Proceeds on the sale of investments	65,044	6,825,850
Net cash (used in) provided by investing activities	(4,831,458)	5,535,710
Cash flows from financing activities:		
Payments on long-term debt	(1,557,369)	(1,517,635)
Net cash used in financing activities	(1,557,369)	(1,517,635)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,026,332	(4,154,475)
Cash and cash equivalents, beginning of year	5,521,144	9,675,619
Cash and cash equivalents, end of year	\$ 8,547,476	\$ 5,521,144
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 183,930	\$ 221,790
Supplemental disclosure of non-cash investing and operating activity:		
Contributed stock	\$ 1,229,284	\$ 796,149

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

World Golf Foundation, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - THE COMPANY AND ITS OPERATIONS

World Golf Foundation, Inc. (the "Foundation") was established in 1989 as a non-profit corporation with the purpose of constructing and operating the World Golf Hall of Fame® ("Hall of Fame & Museum") and World Golf Hall of Fame IMAX Theater® in northeast Florida.

The Hall of Fame & Museum, which opened in May of 1998, honors the history of golf and the achievements of its greatest players through educational and entertaining exhibits designed for the enjoyment of the general public and is the centerpiece of a resort called World Golf Village (the "Resort").

Through its division, The First Tee, the Foundation focuses on charitable activities to develop chapters to give young people of all backgrounds the opportunity to build character education, instill life-enhancing values and promote healthy choices through the game of golf.

The We Are Golf division's mission is to unite and activate the golf industry around key strategic initiatives that increase participation and retention of participants, inspire involvement and interest in the game, and promote sustainable best practices for golf facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with Accounting Standards Codification ("ASC") No. 958, *Not-for-Profit Entities* ("ASC 958"). ASC 958 requires not-for-profit organizations to distinguish between contributions received that increase net assets without donor restrictions and net assets with donor restrictions. Contributions received are required to be recognized as revenue in the period an unconditional promise to give is received. ASC 958 also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire. In addition, ASC 958 requires presentation of the consolidated financial statements based on the concept of net assets. Net assets are identified as without donor restrictions and with donor restrictions.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

- *Net Assets Without Donor Restrictions*

Represent net assets which are not subject to donor-imposed stipulations and are fully available to be utilized in any of the Foundation's programs or supporting services.

- *Net Assets With Donor Restrictions*

Represent net assets which are subject to donor-imposed stipulations whose use is restricted by time and/or purpose. A portion of the Foundation's net assets with donor restrictions require the Foundation to use or expend the gifts as specified, based on purposes or passage of time.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

In 2019, the Foundation adopted Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, the Foundation applied the requirements to agreements that either were not completed as of December 31, 2018 or entered into after January 1, 2019.

The Foundation also adopted ASU 2014-09 (Topic 606), *Revenue from Contracts from Customers*, on January 1, 2019. The core principle of the standard is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

ASC 606 also requires new and expanded disclosure regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the Foundation’s consolidated financial position, changes in net assets, cash flows, business processes, controls or systems.

Measure of Operations

The Foundation reports as part of operations all activities except for pension related changes other than net periodic pension cost, and other items, if any, which are unusual or nonrecurring in nature.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, World Golf Village Entertainment, Inc. (“Entertainment”) and WGV Enterprises, Inc. (“Enterprises”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less when purchased.

Investments

The Foundation invests in bond funds, equity funds, other investments and United States government sponsored securities. Investments are carried at fair value, based generally on quoted market prices or net asset value (“NAV”) as of the reporting date. The cost of securities sold is based on the specific identification method.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related assets, which ranged from 3 to 40 years.

Other Assets

Other assets consist of prepaid insurance and other expenses as well as inventories. Inventories, which consist primarily of youth golf equipment used in fulfilling program initiatives and gift shop merchandise, are stated at the lower of cost (first in-first out) or net realizable value. The Foundation did not record an inventory valuation allowance at December 31, 2019 and 2018.

Royalty and License Fees

The Foundation receives royalty and license fees for trademarks incorporating the Foundation logo and other services marks. For agreements which include fixed fee consideration, revenue is recognized ratably over the term of the agreement. For agreements which include variable consideration that are sales-based or usage-based, revenue is recognized when the underlying sale or usage occurs. Accounts receivable related to contracts with customers for royalty fees totaled \$34,900 and \$51,363 at December 31, 2019 and 2018, respectively.

Admissions Revenue

Hall of Fame & Museum and World Golf Hall of Fame IMAX Theater® revenues are recognized at the point in time when goods and services are transferred to customers. In particular, revenue is recognized upon admission into the Hall of Fame & Museum, when a film is exhibited to a customer, or when a customer takes possession of food and beverage offerings. Account receivables related to contracts with customers for admission totaled \$3,550 and \$3,339 at December 31, 2019 and 2018, respectively.

Deferred Revenue

The Foundation collects certain royalty and license fees in advance of the periods to which they relate. Such amounts are included as deferred revenue and are recognized into income over the term of the respective agreements. In addition, the Foundation collects conditional promises to give prior to the satisfaction of the related conditions. Such amounts are also included as deferred revenue and totaled \$535,255 and \$1,061,494 at December 31, 2019 and 2018, respectively. Deferred revenues related to contracts with customers totaled \$376,135 and \$643,185 at December 31, 2019 and 2018, respectively.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

The Foundation recognizes contributions received, including unconditional promises to give, as assets and revenue in the period the contribution or unconditional promise is received, at fair value. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. The Foundation reports gifts of land, buildings and equipment at fair value as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. In addition to the amounts recorded within deferred revenue, the Foundation has received conditional promises to give of approximately \$9,420,361 and \$14,835,864 as of December 31, 2019 and 2018, respectively, that have not been recognized as assets or revenue in the accompanying consolidated financial statements. Future receipts of such amounts are conditioned upon numerous significant factors including annual reviews by the donating organization and annual approval by each of their executive committees.

Collections

The Foundation has received certain loaned and donated artifact collections from other golf organizations and individuals for exhibition in the Hall of Fame & Museum. The Foundation's policy on collections is to not capitalize the value of these collections as they are held for public exhibition, education, or research and not for financial gain. These items are protected and preserved. Ancillary costs of collection items purchased by the Foundation totaled approximately \$38,073 and \$45,045 in 2019 and 2018, respectively, and are included in program and supporting services, Hall of Fame, in the accompanying statements of activities and changes in net assets. There were no proceeds from the sale of collection items or insurance recoveries from lost or destroyed collection items owned by the Foundation in 2019 or 2018.

Donated Services

PGA TOUR Golf Course Properties, Inc. has contributed the time and services of certain of its accounting, legal and professional employees to the Foundation. The value of such contributed time and service is reflected in the consolidated statements of activities and changes in net assets as a contribution and corresponding expense of the Foundation at fair value of \$1,227,534 and \$1,377,054 during 2019 and 2018, respectively. PGA TOUR, Inc. ("TOUR") has contributed advertising for the Foundation related to the Hall of Fame & Museum, World Golf Village, The First Tee, northeast Florida and the State of Florida. The value of such contributed advertising is reflected in the consolidated statements of activities and changes in net assets as a contribution and corresponding expense of the Foundation at the fair value of \$7,230,641 and \$7,038,642 during 2019 and 2018, respectively.

Widespread exposure from network television advertising and magazine publications were received from donors in 2019 and 2018. The value of such contributed advertising is reflected in the consolidated statements of activities and changes in net assets as a contribution and corresponding expense of the Foundation at the fair value of \$50,000 and \$251,900 during 2019 and 2018, respectively.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Foundation is exempt from federal income tax under Internal Revenue Code ("IRC") Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements. In addition, the Foundation has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Financial Instruments

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents, investments, contribution receivables and accounts receivables. The Foundation's cash equivalents and investments are primarily in high-quality securities placed with institutions with high credit ratings. Contribution and accounts receivables reflect the Foundation's diversified sources of funding and are dispersed among a broad base. The Foundation routinely assesses the financial strength of its donors and customers. These policies limit the Foundation's exposure to concentrations of credit risk. The Foundation places its temporary cash investments in what management believes to be high quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limit.

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, follow:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 8,547,476	\$ 5,521,144
Accounts receivable (due within one year)	98,876	178,176
Contributions receivable, net (due within one year)	5,169,519	4,772,364
Investments	<u>17,532,984</u>	<u>11,368,357</u>
Total financial assets available within one year	31,348,855	21,840,041
Less: Restricted by donors to The First Tee and We Are Golf	<u>(25,828,849)</u>	<u>(18,989,486)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,520,006</u>	<u>\$ 2,850,555</u>

The Foundation maintains cash balances at a level designed to ensure short-term liquidity. In addition, a suitable proportion of the Foundation's investment balances are held in instruments that can readily be converted to cash, if needed. The Foundation prepares and monitors a 12-month rolling cash-flow forecast in order to identify and address any threats to short-term liquidity.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Unconditional promises to give are presented as part of receivables and revenue of the appropriate net asset category. Contributions are recorded after recognizing a discount to reflect the present value based on projected cash flows. The December 31 balances of unconditional promises to give are expected to be collected as follows:

	2019	2018
Less than one year	\$ 5,169,519	\$ 4,772,364
One to five years	6,604,362	5,121,527
More than five years	1,675,000	550,000
Total unconditional promises	13,448,881	10,443,891
Less:		
Unamortized discount (3.73% – 4.50%)	(1,164,166)	(713,991)
Allowance for doubtful accounts	(673,673)	(318,559)
Contributions receivable, net	\$ 11,611,042	\$ 9,411,341

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the guidance. The three valuation techniques are as follows:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 5 - FAIR VALUE MEASUREMENTS - Continued

Financial assets and liabilities that measured at fair value on a recurring basis are as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>NAV ⁽¹⁾</u>	<u>Valuation Technique ⁽²⁾</u>
2019:					
Investments					
Money market funds ⁽³⁾	\$ 793,579	\$ 793,579	\$ -	\$ -	M
Bond mutual funds	6,354,054	6,354,054	-	-	M
Equity mutual funds	6,272,430	6,272,430	-	-	M
Alternative investments	<u>41,129,207</u>	<u>-</u>	<u>-</u>	<u>41,129,207</u>	M
Total investments	<u>\$ 54,549,270</u>	<u>\$ 13,420,063</u>	<u>\$ -</u>	<u>\$ 41,129,207</u>	
2018:					
Investments					
Money market funds ⁽³⁾	\$ 776,023	\$ 776,023	\$ -	\$ -	M
Bond mutual funds	3,486,175	3,486,175	-	-	M
Equity mutual funds	3,465,426	3,465,426	-	-	M
Alternative investments	<u>36,407,325</u>	<u>-</u>	<u>-</u>	<u>36,407,325</u>	M
Total investments	<u>\$ 44,134,949</u>	<u>\$ 7,727,624</u>	<u>\$ -</u>	<u>\$ 36,407,325</u>	

- (1) Under ASU 2015-07, investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation to the fair value hierarchy to the amounts presented in the consolidated statements of financial position.
- (2) As discussed above, the guidance identifies three valuation techniques: market approach (M); cost approach (C); and, income approach (I).
- (3) Money market funds are held as collateral on the Foundation's line of credit (Note 8).

Information with respect to redemption terms, strategies, risks, and commitments for investments reported at NAV are as follows:

	<u>2019 Fair Value</u>	<u>2018 Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>	<u>Redemption Restrictions</u>
Richmond Fund, LP ⁽¹⁾	\$ 41,129,207	\$ 36,407,325	Quarterly	60 Days	Not to exceed 10% of capital account

- (1) In 2014, the Foundation entered into a partnership agreement with the Richmond Fund, LP. The Richmond Fund provides a vehicle for 501(c) organizations, unaffiliated with the University of Richmond, to achieve investment returns achieved by the University of Richmond endowment through a blended rate of return agreement. Investments in the Richmond Fund include hedge funds, private equity funds and other funds (real assets and real estate) and are reported at fair value as determined by the general partner. The Foundation had no unfunded commitments as of December 31, 2019 and 2018.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 6 - PROPERTY AND EQUIPMENT, NET

As of December 31, property and equipment, net consisted of the following:

	2019	2018
Land	\$ 33,701	\$ 33,701
Building and improvements	35,566,547	35,574,757
Exhibits, furniture and equipment	20,797,309	21,381,620
	56,397,557	56,990,078
Less:		
Accumulated depreciation	(43,594,857)	(42,400,498)
	\$ 12,802,700	\$ 14,589,580

Depreciation expense was \$2,027,640 and \$2,229,779 during 2019 and 2018, respectively.

NOTE 7 - LEASES

The Foundation leases certain land from St. Johns County under noncancelable lease arrangements. The Foundation pays rent in the amount of \$0.50 per paid admission to the Hall of Fame & Museum from May 19, 1998 (the opening date) through May 19, 2028 (the 30th anniversary of the opening date), and \$1 per year thereafter. The lease contains certain covenants relating to adequate insurance and other items. The Foundation was in compliance with these covenants at December 31, 2019 and 2018.

Including the above lease, the Foundation recorded a total lease expense of \$373,160 and \$376,569 during 2019 and 2018, respectively.

NOTE 8 - DEBT

As of December 31, debt consisted of the following:

	2019	2018
Bonds payable – PNC	\$ 6,243,057	\$ 7,800,426
Note payable – PGA TOUR Management Services, Inc.	5,417,727	5,417,727
	\$ 11,660,784	\$ 13,218,153

Industrial Revenue Bonds 2012A and 2012B

In connection with the redemption of the 1997A and 2001 Bonds, St. Johns County Industrial Authority (the "Authority") as Issuer, entered into a financing agreement dated October 24, 2012 with the World Golf Foundation, Inc. as borrower and PNC Bank as lender. The Authority issued revenue bonds, Series 2012A in the amount of \$8,536,086 and Series 2012B in the amount of \$16,068,385, to PNC Bank for the purpose of obtaining funds to loan to the Foundation pursuant to the financing agreement to finance in part the costs of refunding related to the 1997A and 2001 Bonds. The Series 2012A Bonds were redeemed in their entirety on March 1, 2017.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 8 - DEBT - Continued

Industrial Revenue Bonds 2012A and 2012B - Continued

The Series 2012B Bonds are issued to PNC and are payable from and secured by the Foundation as stated in the financing agreement. The Foundation is required to pay annual debt service directly to PNC for the account of the Authority, on or before the dates required under the Bonds and under the financing agreement.

Principal and interest, at a rate of 2.48%, on the outstanding Series 2012B Bonds are payable to PNC annually commencing on March 1, 2013 through September 1, 2023.

This bond is a general obligation of the Foundation and is collateralized by a first lien on mortgaged property, the Foundation's rights and interest to certain payments due to be received pursuant to the Official Designation and Royalty Agreement and the Services Agreement dated as of January 1, 1997 between the Foundation and Shell Oil Company, as amended by an instrument dated November 13, 1997 and the Foundation's rights and interest to certain payments from the State of Florida.

The financing agreement requires compliance with various restrictive covenants, such as minimum debt service coverage ratios. The Foundation was in compliance with the various restrictive covenants at December 31, 2019 and 2018.

Annual aggregate principal repayments of the industrial revenue bonds are as follows:

Years ending	
2020	\$ 1,595,151
2021	1,633,259
2022	1,675,652
2023	<u>1,338,995</u>
	<u>\$ 6,243,057</u>

Note Payable to PGA TOUR Management Services, Inc.

The Foundation entered into a note payable agreement dated November 3, 1996 with PGA TOUR Management Services, Inc., a subsidiary of PGA TOUR, Inc., in the amount of \$6,667,727. Interest is payable quarterly on the unpaid principal balance at a rate equal to the annual rate payable on United States Treasury obligations with a maturity of 10 years as determined on the first business day of each calendar quarter. The rate in effect as of December 31, 2019 and 2018 was 1.92% and 2.69%, respectively. The remaining principal balance was \$5,417,727 at December 31, 2019 and 2018. The note is due January 1, 2023. Interest related to this note payable for the years ended December 31, 2019 and 2018 was \$120,579 and \$152,602, respectively, and has been recorded as revenue and expense by the Foundation as it was deemed a contribution by PGA TOUR, Inc.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 8 - DEBT - Continued

Line of Credit

The Foundation has a revolving line of credit with Wells Fargo at \$1 million that was renewed on November 6, 2019. All principal and accrued interest is due and payable on September 30, 2020. The Foundation has an option to increase the line of credit by \$4 million at any time, provided that no event of default exists. The outstanding principal balance of this agreement bears interest at 0.95% over the lender's LIBOR Market Index Rate per annum. At December 31, 2019 and 2018, the interest rate in effect was 2.71% and 3.47%, respectively. The revolving credit agreement is collateralized by the Foundation's cash management account. By restrictive covenant, the line of credit shall not exceed at any time 95% of the fair value of the collateral. At December 31, 2019 and 2018, the amount held as collateral classified in investments was \$793,579 and \$776,023, respectively. Accordingly, the maximum amount available under the line of credit based on this collateral base totaled \$753,900 and \$737,222 at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, \$0 was drawn on the line of credit.

NOTE 9 - EMPLOYEE RETIREMENT AND SAVINGS PLAN

The Foundation applies the recognition provisions of ASC 958-715, *Not-for-Profit Entities Compensation Retirement Benefits* ("ASC 958-715"), which requires, among other things, the recognition of the funded status of each defined pension benefit plan, retiree health care and other postretirement benefit plans and postemployment benefit plans on the statement of financial position. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability.

Employee Retirement Plan

In 1998, the Foundation established a noncontributory, defined benefit retirement plan covering substantially all employees. The plan is a qualified pension plan funded in accordance with requirements set forth by the Employee Retirement Income Security Act of 1974. Benefits under this plan are based primarily on an employee's years of service and compensation during the years immediately preceding retirement.

As of April 1, 2012, the Foundation amended the plan to freeze plan eligibility. An employee who is first hired on or after April 1, 2012 will not become a participant in the plan. Similarly, a former employee of the employer who is rehired on or after April 1, 2012 and who is not already a participant will not be eligible to become a new participant. As of January 1, 2015, the Foundation amended the plan to freeze benefit accruals as of December 31, 2014 for all participants in the plan.

The Foundation filed to terminate the plan with the Internal Revenue Service and Pension Benefit Guaranty Corporation in early 2020 with the proposed termination date of September 30, 2020.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 9 - EMPLOYEE RETIREMENT AND SAVINGS PLAN - Continued

Employee Retirement Plan - Continued

	2019	2018
Benefit obligations at end of year:		
Accumulated benefit obligation	\$ 4,671,447	\$ 6,643,663
Projected benefit obligation	\$ 4,671,447	\$ 6,643,663
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 6,643,663	\$ 10,640,176
Interest cost	207,092	344,683
Benefits paid	(46,828)	(38,758)
Settlements	(3,098,495)	(3,631,209)
Actuarial loss (gain)	966,015	(671,229)
Projected benefit obligation at end of year	4,671,447	6,643,663
Change in fair value of plan assets:		
Fair value of plan assets beginning of year	5,770,676	9,748,705
Actual return on plan assets	935,181	(126,768)
Settlements	(3,023,340)	(4,312,503)
Employer contributions	500,000	500,000
Benefits paid	(46,828)	(38,758)
Fair value of plan assets at end of year	4,135,689	5,770,676
Funded status (accrued pension liability)	\$ (535,758)	\$ (872,987)

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 9 - EMPLOYEE RETIREMENT AND SAVINGS PLAN - Continued

Employee Retirement Plan - Continued

	2019	2018
Net periodic pension cost:		
Interest cost	\$ 207,092	\$ 344,683
Expected return on plan assets	(261,389)	(442,417)
Amortization of actuarial loss	44,893	2,893
Settlement loss	640,630	454,070
Net periodic pension cost	631,226	359,229
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions		
Net loss	217,068	579,250
Amortization of net loss	(44,893)	(2,893)
Settlement loss	(640,630)	(454,070)
Total recognized in net assets without donor restrictions	(468,455)	122,287
Total recognized in net periodic benefit cost and net assets without donor restrictions	\$ 162,771	\$ 481,516
Amounts recognized in net assets without donor restrictions consist of:		
Net loss	\$ 847,407	\$ 1,315,862

The estimated amount to be amortized into net periodic pension cost in 2020 is \$847,407 from net loss.

Weighted-average assumptions used to determine pension obligation:

Discount rate	3.21%	4.15%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost:

Discount rate	4.15%	3.47%
Rate of compensation increase	N/A	N/A
Expected rate of return of plan assets	5.50%	5.50%

The expected rate of return on plan assets assumption is based on anticipated returns for each asset class in the portfolio.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 9 - EMPLOYEE RETIREMENT AND SAVINGS PLAN - Continued

Plan Assets

The retirement plan investment options consist of mutual funds, which invest primarily in common stock, corporate debt securities and U.S. Government and Agency obligations. The weighted-average allocation of the Foundation's pension plan assets (by asset category) is 100% mutual funds as of December 31, 2019 and 2018.

The fair values of plan assets that are measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Other Unobservable Inputs Level 3</u>	<u>Valuation Technique ⁽¹⁾</u>
2019:					
Assets					
Mutual funds	\$ 4,135,689	\$ 4,135,689	\$ -	\$ -	M
2018:					
Assets					
Mutual funds	\$ 5,770,676	\$ 5,770,676	\$ -	\$ -	M

⁽¹⁾ As discussed above, the guidance identifies three valuation techniques: market approach (M); cost approach (C); and income approach (I).

Contributions

The Foundation expects to contribute \$1,000,000 to its plan in 2020.

Estimated Future Benefit Payments

The following benefit payments, as appropriate, are expected to be paid:

Year ending	
2020	<u>\$ 4,671,447</u>

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 9 - EMPLOYEE RETIREMENT AND SAVINGS PLAN - Continued

Employee Savings Plan

The Foundation has a 401(k) savings plan for those eligible employees who elect to participate. Each participant may contribute up to a maximum of 15% of compensation, not to exceed the maximum allowable amount as required under the Economic Growth and Tax Relief Reconciliation Act of 2001. The Foundation contributes a sum equal to 50% of the contributions made to the plan by participants, up to a maximum of 1.5% of each eligible employee's compensation. Employees vest in the Foundation's contributions after three years of continuous employment. The World Golf Foundation provides an employer safe harbor contribution to the savings plan in the amount equal to 3% of each eligible employee's compensation. The employee is immediately vested in this contribution, regardless of whether the employee makes an employee salary deferral contribution to the plan. The Foundation's contributions charged to expense in 2019 and 2018 were \$251,086 and \$314,570, respectively.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

The nature of net assets with donor restrictions are as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
The First Tee		
General operations	\$ 21,946,539	\$ 21,801,520
Grants and programs	15,633,798	10,463,094
We Are Golf	<u>291,387</u>	<u>419,919</u>
Total	<u>\$ 37,871,724</u>	<u>\$ 32,684,533</u>

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
The First Tee		
General operations	\$ 15,494,415	\$ 17,321,171
Grants and programs	7,555,993	9,556,121
We Are Golf	<u>1,512,757</u>	<u>1,005,121</u>
Total	<u>\$ 24,563,165</u>	<u>\$ 27,882,413</u>

NOTE 11 - ROYALTIES AND LICENSING FEES

The developers of the various component parts of the Resort have entered into various royalty and license agreements with the Foundation pursuant to which each component will have the right to use the Foundation's name and logo and, in certain cases, the secondary marks in connection with the promotion and operation of the various components in return for certain royalty and license fee payments. The fixed portion royalty and license fees have been deferred and are being recognized over the term of the respective agreement.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 11 - ROYALTIES AND LICENSING FEES - Continued

Royalties and licensing fees recognized during 2019 and 2018 were \$2,956,373 and \$2,946,604, respectively. The Foundation was a party to royalty and licensing agreements with remaining fixed fees of approximately \$314,000 in 2019. In addition, the agreements contain annual variable fees which range from 0.5% to 5% of the developers' gross revenues. The agreements have terms up to 25 years and renewal options beyond the initial terms and are set to expire during 2020 and 2021.

NOTE 12 - NATURAL CLASSIFICATION OF EXPENSES

Expenses attributable to more than one program or supporting service are allocated using various cost allocation techniques such as headcount, square footage or time.

Expenses by natural classification for the years ended December 31, 2019 and 2018 consisted of the following:

	2019		
	Program & Supporting Services	Marketing & Promotion	Total
Compensation and benefits	\$ 10,164,273	\$ -	\$ 10,164,273
Professional services and research	2,823,744	-	2,823,744
Advertising and marketing	-	8,049,544	8,049,544
Induction ceremony	990,182	-	990,182
Operational and technology	1,609,556	-	1,609,556
Chapter and participant support	7,550,938	-	7,550,938
Occupancy and office expenses	1,851,240	-	1,851,240
Depreciation	2,027,640	-	2,027,640
Other	3,828,651	-	3,828,651
	<u>\$ 30,846,224</u>	<u>\$ 8,049,544</u>	<u>\$ 38,895,768</u>
	2018		
	Program & Supporting Services	Marketing & Promotion	Total
Compensation and benefits	\$ 15,337,019	\$ -	\$ 15,337,019
Professional services and research	3,000,192	-	3,000,192
Advertising and marketing	-	8,109,540	8,109,540
Induction ceremony	43,213	-	43,213
Operational and technology	1,787,561	-	1,787,561
Chapter and participant support	7,781,758	-	7,781,758
Occupancy and office expenses	2,033,072	-	2,033,072
Depreciation	2,229,779	-	2,229,779
Other	2,456,629	-	2,456,629
	<u>\$ 34,669,223</u>	<u>\$ 8,109,540</u>	<u>\$ 42,778,763</u>

Fundraising expense for the years ended December 31, 2019 and 2018 totaled \$3,487,757 and \$2,354,510 respectively.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Foundation, as party to a Special Assessment Agreement (“SAA”) with St. Johns County dated July 24, 1996, is severally obligated for 22% of any shortfall in certain monies due to St. Johns County. As part of the lease agreement with the PGA TOUR, Inc. (the “TOUR”) described in Note 14, the TOUR has agreed to pay 3% of the special assessment owed by the Foundation. In addition, the SAA obligation is collateralized by a land lien, and gives the option to amend the stated shortfall obligation percentage. During 2019 and 2018, the SAA obligation of \$119,251 and \$113,296, respectively, was charged to the Foundation.

NOTE 14 - RELATED PARTY TRANSACTIONS

Due to prominence within the game of golf, the Commissioner of the TOUR, serves on the Executive Committee of the Foundation’s Board of Directors. Although the TOUR does not control the Board since influence of the Foundation by the Commissioner of the TOUR is limited to that of any other Board member, certain activities between the TOUR and the Foundation are reflected herein as related party transactions.

The Foundation and the TOUR entered into an agreement dated July 24, 1996 which requires the TOUR to provide at no cost to the Foundation, on an annual basis, a minimum of \$2 million in national and international media promotion for the Hall of Fame & Museum, the State of Florida and Florida tourism commencing on the date the Hall of Fame & Museum was opened to the public and continuing for 25 years. The agreement provides for an increase in the amount to \$2.5 million if Hall of Fame & Museum attendance levels or sales tax revenues are not meeting projections required at the time of original state certification. Therefore, for the years ended December 31, 2019 and 2018, the minimum national and international media promotion requirement was \$2.5 million.

Beginning in 2019, the TOUR provides professional services to the Foundation through a management services agreement. Such services totaled \$1,016,000 and are included in due to related party on the consolidated statement of financial position for the year ended December 31, 2019. The TOUR also provides donated services as more fully described in Note 2.

Effective January 1, 1997, the Foundation leased a parcel of property to the TOUR. The term of the lease is 30 years and the TOUR has two successive options to renew the lease for 30-year periods. The base rent is \$76,531 per year and this amount is subject to a 10% increase every five years. As part of the lease agreement, the TOUR has agreed to pay a portion of the special assessment owed by the Foundation as described in Note 13.

Certain golf organizations have loaned golf artifacts for exhibition in the Hall of Fame & Museum at no charge. The Foundation is responsible for paying all insurance and storage costs while these artifacts are in its possession and must catalog all artifacts provided by the organizations.

NOTE 15 - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2019 consolidated financial statements for subsequent events through May 12, 2020, the date the consolidated financial statements were available to be issued.

On March 26, 2019, the PGA TOUR First Tee Foundation, Inc. filed its articles of incorporation with the Florida Department of State. On November 15, 2019, the PGA TOUR First Tee Foundation, Inc. obtained its exemption from federal income tax under IRC Section 501(c)(3). The Foundation transferred assets totaling \$71,789,178 and liabilities totaling \$3,617,965 of The First Tee division to this new organization as of January 1, 2020.

World Golf Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 15 - SUBSEQUENT EVENTS - Continued

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. The Foundation cannot reasonably estimate the length or severity of this pandemic, but it currently anticipates an adverse impact to operations.

Subsequent to year end, the Foundation applied for and was approved a \$1,545,207 loan under the Paycheck Protection Program administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

The Foundation is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.

Supplementary Information

World Golf Foundation, Inc. and Subsidiaries

SCHEDULE OF EXPENDITURES OF STATE OF FLORIDA FINANCIAL ASSISTANCE

Year ended December 31, 2019

Agency	Project Name	CSFA Number	State Expenditures
State of Florida Department of Revenue	Professional Golf Hall of Fame	73.017	<u>\$ 2,000,004</u>
Total expenditures of State of Florida financial assistance			<u>\$ 2,000,004</u>

See accompanying note to schedule of expenditures of State of Florida financial assistance.

World Golf Foundation, Inc. and Subsidiaries

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of State of Florida Financial Assistance (the "Schedule") summarizes the expenditures of World Golf Foundation, Inc. (the "Foundation") under this program for the year ended December 31, 2019 and is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, Schedule of Expenditures of State Financial Assistance. State financial assistance of \$2,000,004 is included in royalty, license and other fees of \$2,956,373 on the consolidated statement of activities and changes in net assets for the year ended December 31, 2019. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets and cash flows of the Foundation.

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

To the Board of Directors
World Golf Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of World Golf Foundation, Inc. and Subsidiaries (collectively, the “Foundation”), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

May 12, 2020
Arlington, Virginia

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Report of Independent Certified Public Accountants on Compliance for Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General

To the Board of Directors
World Golf Foundation, Inc.

Report on Compliance for Each Major State Project

We have audited World Golf Foundation, Inc. and Subsidiaries' (collectively, the "Foundation") compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state project for the year ended December 31, 2019. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations and the terms and conditions of its state awards applicable to its state project.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the requirements of the Florida Single Audit Act, *Audits of Non-Profit and For-Profit Organizations*; and the audit requirements of Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on its major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with the Florida Single Audit Act, *Audits of Non-Profit and For-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Florida Single Audit Act, *Audits of Non-Profit and For-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



May 12, 2020
Arlington, Virginia

World Golf Foundation, Inc. and Subsidiaries
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2019

Section I: Summary of Auditor's Results

Consolidate Financial Statements

- | | | |
|---|-----------|-----------------------|
| 1. Type of auditor's report issued | | Unmodified |
| 2. Internal control over financial reporting | | |
| a. Material weaknesses identified | _____ Yes | ___X___ No |
| b. Significant deficiency identified not considered to be material weaknesses | _____ Yes | ___X___ None reported |
| 3. Noncompliance material to the financial statements noted? | _____ Yes | ___X___ No |

State of Florida Financial Assistance

- | | | |
|--|-----------|-----------------------|
| 1. Internal control over major project: | | |
| a. Material weaknesses identified? | _____ Yes | ___X___ No |
| b. Significant deficiency identified not considered to be material weaknesses? | _____ Yes | ___X___ None reported |
| 2. Type of auditor's report issued on compliance for the major project: | | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 Rules of the Auditor General of the State of Florida? | _____ Yes | ___X___ No |

Identification of major project

CSFA NUMBER

73.017

Name of State of Florida Project

Professional Golf Hall of Fame

- | | | |
|--|-------------|----------|
| 1. Auditee qualified as a low-risk auditee | ___X___ Yes | _____ No |
|--|-------------|----------|

World Golf Foundation, Inc. and Subsidiaries
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2019

Section II: Financial Statement Findings

None noted

Section III: State of Florida Financial Assistance Findings and Questioned Costs

None noted

World Golf Foundation, Inc. and Subsidiaries
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2019

There are no findings from prior years.