

Financial Statements and
Supplementary Information, Together
with 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.

December 31, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
World Golf Foundation, Inc.

Report on the financial statements**Opinion**

We have audited the financial statements of World Golf Foundation, Inc. (the “Foundation”), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of State of Florida Financial Assistance for the year ended December 31, 2021 as required by the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the 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 5, 2022 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 the Foundation's 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.

Grant Thornton LLP

Arlington, Virginia
May 5, 2022

World Golf Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

As of December 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 5,590,742	\$ 3,048,805
Investments	1,433,209	1,410,646
Accounts receivable	218,903	67,769
Property and equipment, net	10,389,312	11,069,930
Other assets	<u>135,684</u>	<u>165,250</u>
Total assets	<u>\$ 17,767,850</u>	<u>\$ 15,762,400</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 868,759	\$ 1,497,268
Due to related party	14,344	468,672
Interest payable	24,921	38,423
Deferred revenue	1,089,286	54,414
Debt	<u>3,014,648</u>	<u>4,647,907</u>
Total liabilities	<u>5,011,958</u>	<u>6,706,684</u>
Net assets		
Without donor restrictions	10,123,871	8,666,531
With donor restrictions	<u>2,632,021</u>	<u>389,185</u>
Total net assets	<u>12,755,892</u>	<u>9,055,716</u>
Total liabilities and net assets	<u>\$ 17,767,850</u>	<u>\$ 15,762,400</u>

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

World Golf Foundation, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended December 31,

	2021	2020
Changes in net assets without donor restrictions		
Operating revenues, gains and other support		
Contributions	\$ 6,336,801	\$ 3,808,996
Forgiveness of debt from related party	-	5,417,727
Net assets released from restrictions	3,405,564	2,739,421
Royalty, license, grants and other fees	2,777,302	2,919,968
Admissions and special functions	1,230,241	690,127
Investment return, net	56,770	138,706
Other revenues	388,352	301,365
Total operating revenues, gains, and other support	14,195,030	16,016,310
Operating expenses		
Program and supporting services		
Hall of Fame & Museum	5,945,051	7,357,961
American Golf Industry Coalition	2,035,461	1,229,214
Marketing and promotions:		
Hall of Fame & Museum	4,069,527	1,117,098
American Golf Industry Coalition	695,338	-
Total operating expenses	12,745,377	9,704,273
Total change in net assets without donor restrictions from operations	1,449,653	6,312,037
Other changes		
Gain on the sale of exhibit collections	7,687	-
Pension-related changes other than net periodic costs	-	237,274
Transfer of assets and liabilities to related party, net (Note 12)	-	(30,590,876)
Total other changes	7,687	(30,353,602)
Change in net assets without donor restrictions	1,457,340	(24,041,565)
Changes in net assets with donor restrictions		
Contributions	5,648,400	2,803,322
Net assets released from restrictions	(3,405,564)	(2,739,421)
Transfer of assets and liabilities to related party, net (Note 12)	-	(37,580,337)
Change in net assets with donor restrictions	2,242,836	(37,516,436)
CHANGE IN NET ASSETS	3,700,176	(61,558,001)
Net assets, beginning of year	9,055,716	70,613,717
Net assets, end of year	\$ 12,755,892	\$ 9,055,716

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

World Golf Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 3,700,176	\$ (61,558,001)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	769,356	846,730
Transfer of assets and liabilities to related party	-	68,171,213
Gain on forgiveness of debt	-	(5,417,727)
Gain on the sale of exhibit collections	(7,687)	-
Loss on disposal of fixed assets	68,002	1,080
Net unrealized/realized gains on investments	(13,740)	(208,445)
Pension-related changes other than net periodic pension cost	-	(237,274)
Change in certain operating assets and liabilities:		
Accounts receivable	(151,134)	25,085
Other assets	29,566	201,103
Accounts payable and accrued expenses	(628,509)	(88,604)
Due to related party	(454,328)	21,632
Interest payable	(13,502)	(13,186)
Accrued pension cost	-	86,461
Deferred revenue	1,034,872	(432,707)
	4,333,072	1,397,360
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(156,740)	-
Proceeds on the sale of property and equipment	-	-
Purchases of investments	(949,085)	(61,700)
Proceeds on the sale of investments	940,262	11,865
Proceeds on the sale of exhibit collections	7,687	-
	(157,876)	(49,835)
Net cash used in investing activities		
Cash flows from financing activities		
Payments on long-term debt	(1,633,259)	(1,595,150)
	(1,633,259)	(1,595,150)
Net cash used in financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,541,937	(247,625)
Cash and cash equivalents, beginning of year	3,048,805	3,296,430
Cash and cash equivalents, end of year	\$ 5,590,742	\$ 3,048,805
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 105,279	\$ 145,037

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

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - THE ORGANIZATION 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 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").

The American Golf Industry Coalition (formerly, 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. The American Golf Industry Coalition also administers Make Golf Your Thing, which is a collaborative effort across the golf industry to ensure the future of golf is open to everyone. This multi-faceted, multi-year campaign will work to invite more people to the sport from all backgrounds to enjoy the game of a lifetime – their way.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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 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.

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 (See Note 12).

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 money market funds, bond mutual funds and equity mutual funds. Investments are carried at fair value, based generally on quoted market prices or net asset value ("NAV") as of the reporting date. Changes in the fair value of investments are reported within investment return in the statement of activities. The cost of securities sold is based on the specific identification method. Dividends are accrued based on the ex-dividend date. Interest is recognized as earned.

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 lives of the related assets, which ranged from three to 40 years.

Other Assets

Other assets consist of prepaid insurance and other expenses as well as inventories. Inventories, which consist primarily of 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, 2021 and 2020.

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 \$50,752 and \$34,740 at December 31, 2021 and 2020, 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. Accounts receivable related to contracts with customers for admissions totaled \$5,520 and \$1,136 at December 31, 2021 and 2020, 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. Deferred revenues related to contracts with customers totaled \$1,089,286 and \$54,414 at December 31, 2021 and 2020, respectively.

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

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

as to purpose or time. 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 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 \$5,422,571 and \$4,978,877 as of December 31, 2021 and 2020, respectively, that have not been recognized as assets or revenue in the accompanying 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 \$81,544 and \$22,692 in 2021 and 2020, respectively, and are included in program and supporting services, Hall of Fame, in the accompanying statements of activities and changes in net assets. The Foundation received \$7,687 in 2021 and \$0 in 2020 net of fees from the sale of exhibit collections.

Donated Services

PGA TOUR Golf Course Properties, Inc. has contributed the time and services of certain of its professional employees to the Foundation. The value of such contributed time and service is reflected in the statements of activities and changes in net assets as a contribution and corresponding expense of the Foundation at fair value of \$346,134 and \$355,627 during 2021 and 2020, respectively. PGA TOUR, Inc. ("TOUR") has contributed advertising for the Foundation related to the Hall of Fame & Museum, World Golf Village, northeast Florida and the State of Florida. The value of such contributed advertising is reflected in the statements of activities and changes in net assets as a contribution and corresponding expense of the Foundation at the fair value of \$3,843,991 and \$934,804 during 2021 and 2020, respectively.

Income Taxes

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

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 IRC. 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 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.

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 receivable. The Foundation's cash equivalents and investments are primarily invested in high-quality securities placed with institutions with high credit ratings. Contribution and accounts receivable 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.

COVID-19 Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent to which COVID-19 may impact the Foundation's future financial position, changes in net assets and cash flows is uncertain. The Foundation has and will continue to make every effort to mitigate the current and future impacts of COVID-19.

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:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 5,590,742	\$ 3,048,805
Accounts receivable (due within one year)	218,903	67,769
Investments	1,433,209	1,410,646
	<hr/>	<hr/>
Total financial assets available within one year	7,242,854	4,527,220
Less: restricted by donors as to purpose	<hr/> (2,632,021)	<hr/> (389,185)
Financial assets available to meet cash needs for general expenditures within one year	<hr/> <u>\$ 4,610,833</u>	<hr/> <u>\$ 4,138,035</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.

NOTE 4 - 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;

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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).

Financial assets that measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Valuation Technique ⁽¹⁾
Investments			
Bond mutual funds	\$ 699,207	\$ 699,207	M
Equity mutual funds	734,002	734,002	M
Total investments	<u>\$ 1,433,209</u>	<u>\$ 1,433,209</u>	

Financial assets measured at fair value on a recurring basis as of December 31, 2020 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Valuation Technique ⁽¹⁾
Investments			
Money market funds	\$ 357,662	\$ 357,662	M
Bond mutual funds	566,706	566,706	M
Equity mutual funds	486,278	486,278	M
Total investments	<u>\$ 1,410,646</u>	<u>\$ 1,410,646</u>	

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

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Land	\$ 33,701	\$ 33,701
Building and improvements	35,091,620	35,556,020
Exhibits, furniture and equipment	<u>14,834,880</u>	<u>15,667,407</u>
	49,960,201	51,257,128
Less:		
Accumulated depreciation	<u>(39,570,889)</u>	<u>(40,187,198)</u>
	<u>\$ 10,389,312</u>	<u>\$ 11,069,930</u>

Depreciation expense totaled \$769,356 and \$846,730 during 2021 and 2020, respectively.

NOTE 6 - LEASES

The Foundation leases a parcel of land on which the Hall of Fame & Museum is located from St. Johns County under a noncancelable lease arrangement. The Foundation pays rent to St. Johns County 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 through the end of the lease on May 9, 2094. Upon execution of the lease agreement, the Foundation determined that the fair value of the contributed rent, over the term of the lease, did not exceed the fair value of the land and that the fair value of the land was not material to the financial statements. The lease agreement contains certain covenants relating to the Foundation maintaining adequate insurance and complying with other provisions. The Foundation was in compliance with these covenants at December 31, 2021 and 2020.

Including the above lease, the Foundation recorded a total lease expense of \$73,993 and \$143,982 during 2021 and 2020, respectively.

NOTE 7 - DEBT

As of December 31, debt consists of the following:

	<u>2021</u>	<u>2020</u>
Bonds payable - PNC	<u>\$ 3,014,648</u>	<u>\$ 4,647,907</u>
	<u>\$ 3,014,648</u>	<u>\$ 4,647,907</u>

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 ("PNC") 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

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

the costs of refunding related to the 1997A and 2001 Bonds. The Series 2012A Bonds were redeemed in their entirety on March 1, 2017.

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, 2021 and 2020.

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

Years Ending December 31,

2022	\$ 1,675,652
2023	<u>1,338,996</u>
	<u>\$ 3,014,648</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 the TOUR, in the amount of \$6,667,727. The note was forgiven during 2020. Interest related to this note payable for the year ended December 31, 2020 totaled \$52,588, and has been recorded as revenue and expense by the Foundation, as it was deemed a contribution by the TOUR.

Lines of Credit

The Foundation had a revolving line of credit with Wells Fargo at \$1 million. The Foundation did not draw on this line of credit in 2021 and 2020. The line of credit was not renewed as of September 30, 2021.

On January 1, 2021, the Foundation established a revolving line of credit with the TOUR in the principal amount of \$4 million. The line of credit bears interest at the LIBOR Daily Floating Rate and is secured by the Foundation's assets. The Foundation has not drawn on this line of credit.

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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NOTE 8 - 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. The Foundation filed to terminate the plan with the Internal Revenue Service and Pension Benefit Guaranty Corporation in 2020 and completed the termination as of December 31, 2020.

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The following tables present the benefit obligation, changes in the benefit obligation and plan assets, the net period pension cost and other plan information as of and for the year ended December 31, 2020:

Change in projected benefit obligation:	
Projected benefit obligation at beginning of year	\$ 4,671,447
Interest cost	103,142
Benefits paid	(44,030)
Settlements	(5,251,756)
Actuarial loss	<u>521,197</u>
Projected benefit obligation at end of year	<u>-</u>
Change in fair value of plan assets:	
Fair value of plan assets beginning of year	4,135,689
Actual return on plan assets	66,462
Settlements	(5,251,756)
Employer contributions	1,093,635
Benefits paid	<u>(44,030)</u>
Fair value of plan assets at end of year	<u>-</u>
Funded status (accrued pension liability)	<u>\$ -</u>
Net periodic pension cost:	
Interest cost	\$ 103,142
Amortization of actuarial loss	26,308
Settlement loss	<u>1,276,319</u>
Net periodic pension cost	<u>1,405,769</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:	
Amortization of net loss	<u>(847,407)</u>
Total recognized in net assets without donor restrictions	<u>(847,407)</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 558,362</u>
Amounts recognized in net assets without donor restrictions consist of:	
Net loss	<u>\$ 847,407</u>

Net periodic pension cost and pension related changes other than net periodic costs as of and for the year ended December 31, 2020 include amounts relating to PGA TOUR First Tee Foundation, Inc. ("PGATFT") totaling \$1,012,154, and \$(610,133), respectively, and have not been recognized by the Foundation (see Note 12).

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Assumptions used to determine net periodic pension cost as of and for the year ended December 31, 2020 are as follows:

Weighted-average assumptions used to determine net periodic pension cost:	
Discount rate	3.21%
Rate of compensation increase	N/A
Expected rate of return of plan assets	N/A

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 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 2021 and 2020 totaled \$43,573 and \$56,423, respectively.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

The nature of net assets with donor restrictions at December 31 are as follows:

	2021	2020
American Golf Industry Coalition	\$ 2,632,021	\$ 389,185
Total	\$ 2,632,021	\$ 389,185

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 as follows:

	2021	2020
Hall of Fame & Museum	\$ 674,765	\$ 1,510,207
American Golf Industry Coalition	2,730,799	1,229,214
Total	\$ 3,405,564	\$ 2,739,421

NOTE 10 - 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. 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.

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Royalties, licensing, grants and other fees recognized during 2021 and 2020 totaled \$2,777,302 and \$2,919,968, respectively, and include approximately \$2 million of financial assistance from the State of Florida for each year.

NOTE 11 - 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 consist of the following:

	2021			
	Program	Supporting Services	Fundraising	Total
Compensation and benefits	\$ 1,947,561	\$ 352,905	\$ 32,540	\$ 2,333,006
Professional services and research	1,114,147	395,024	35,800	1,544,971
Advertising and marketing	4,993,984	-	-	4,993,984
Induction ceremony	129,462	-	-	129,462
Operational and technology	289,112	15,322	967	305,401
Occupancy and office expenses	1,180,772	122,662	318	1,303,752
Depreciation	615,486	153,871	-	769,357
Assessments and fees	56,919	444,794	4,613	506,326
Other	792,107	57,024	9,987	859,118
	\$ 11,119,550	\$ 1,541,602	\$ 84,225	\$ 12,745,377
	2020			
	Program	Supporting Services	Fundraising	Total
Compensation and benefits	\$ 2,057,440	\$ 488,865	\$ 6,104	\$ 2,552,409
Professional services and research	619,740	435,235	248,548	1,303,523
Advertising and marketing	1,117,098	-	-	1,117,098
Induction ceremony	4,203	-	-	4,203
Operational and technology	242,541	28,999	1,024	272,564
Occupancy and office expenses	923,775	212,627	1,542	1,137,944
Depreciation	677,384	169,346	-	846,730
Assessments and fees	288,547	152,224	3,333	444,104
Other	1,879,619	141,545	4,534	2,025,698
	\$ 7,810,347	\$ 1,628,841	\$ 265,085	\$ 9,704,273

NOTE 12 - 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 eight member 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.

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 amount of advertising specific to the Hall of Fame & Museum is determined by the TOUR on an annual basis. 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. For the years ended December 31, 2021 and 2020, the minimum national and international media promotion requirement was \$2.5 million.

Beginning in 2019, the TOUR began providing professional services to the Foundation through a management services agreement. Such services totaled \$373,596 and \$330,485 for the years ended December 31, 2021 and 2020, respectively. 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.

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 loaning organizations.

The Foundation and PGATFT maintain common management, as the Chief Executive officer serves both organizations. The Foundation transferred the assets and liabilities of its First Tee division to this related party as of January 1, 2020. This transaction met the criteria and was accounted for by the Foundation as a discontinued operation.

Assets and liabilities of the First Tee division at January 1, 2020 were as follows:

Assets:	
Cash and cash equivalents	\$ 5,251,046
Investments	53,396,904
Accounts receivable	6,022
Contributions receivable, net	11,611,042
Property and equipment, net	884,960
Other assets	639,204
	<hr/>
Total assets	<u>\$ 71,789,178</u>
Liabilities:	
Accounts payable and accrued expenses	\$ 2,429,790
Accrued pension cost	384,945
Deferred revenue	803,230
	<hr/>
Total liabilities	<u>\$ 3,617,965</u>

The Foundation and PGATFT entered into a services agreement dated January 1, 2020, which requires reimbursement of mutually agreed to administrative and special services incurred for the benefit of each organization. Such services totaled \$195,000 and \$260,000 for the years ended December 31, 2021 and 2020, respectively.

World Golf Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 13 - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2021 financial statements for subsequent events through May 5, 2022, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

World Golf Foundation, Inc.

SCHEDULE OF EXPENDITURES OF STATE OF FLORIDA FINANCIAL ASSISTANCE

Year ended December 31, 2021

<u>Agency</u>	<u>Project Name</u>	<u>CSFA Number</u>	<u>State Expenditures</u>
Department of Economic Opportunity	Economic Development Partnerships	40.040	\$ <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.

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

December 31, 2021

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, 2021 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, grants and other fees of \$2,777,302 on the statement of activities and changes in net assets for the year ended December 31, 2021. 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 (*Government Auditing Standards*), the financial statements of World Golf Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2021, and the related 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 5, 2022.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2021-001 that we consider to be a significant deficiency in the Foundation's internal control.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Foundation's 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 financial statements. 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*.

Entity's response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Foundation's response.

Purpose of this report

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.



Arlington, Virginia
May 5, 2022

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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

Opinion on each major state project

We have audited the compliance of World Golf Foundation, Inc. (the "Foundation") with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for opinion on each major state project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and Chapter 10.650, Rules of the Auditor General, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state project. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's state projects.

Auditor's responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and Chapter 10.650, Rules of the Auditor General, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and Chapter 10.650, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 federal program 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 federal program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Grant Thornton LLP

Arlington, Virginia
May 5, 2022

World Golf Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

Section I: Summary of Auditor's Results

Financial Statement

- 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 X Yes _____ 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
40.040

Name of State of Florida Project
Economic Development
Partnerships

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

World Golf Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended December 31, 2021

Section II: Financial Statement Findings

Finding 2021-001: Contributions Received (Significant Deficiency)

Criteria/Condition/Effect/Cause:

The Foundation receives contributions from various donors in connection with its programs.

Per ASC 958-605:

“25-5 ...contributions received shall be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.”

“25-3 Donor-imposed restrictions place limits on the use of contributed resources and may affect an entity's performance and its ability to provide services. However, limitations on the use of donated resources do not change the fundamental nature of the contribution transaction or conclusions about when to recognize the underlying event.

During fiscal 2021, the Foundation received a cash donation, which based on verbal communications and written correspondence with the donor, was intended for use in fiscal 2022 and fiscal 2023. No formal agreement between the Foundation and the donor was executed and management recorded the donation as deferred revenue at December 31, 2021. However, the donor did not impose any conditions on the contribution (as defined within ASC 958-605-25-5A below), and therefore, it should have been recognized as revenue with donor restrictions in fiscal 2021.

“A donor-imposed condition must have both:

- a. One or more barriers that must be overcome before a recipient is entitled to the assets transferred or promised*
- b. A right of return to the contributor for assets transferred (or for a reduction, settlement, or cancellation of liabilities) or a right of release of the promisor from its obligation to transfer assets (or reduce, settle, or cancel liabilities).*

As a result, the Foundation recorded an adjustment to the financial statements as of and for the year ended December 31, 2021 to increase contribution revenues with donor restrictions and to decrease deferred revenues by \$1 million.

Recommendation:

We recommend that the Foundation strengthen and implement policies and procedures, such as establishing written agreements with donors, to ensure that contributions are recorded in the appropriate period in accordance US GAAP.

Views of Responsible Officials:

The Foundation will continue to enhance its internal controls and documentation of contributions received to ensure they are appropriately recognized.

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

None noted.

World Golf Foundation, Inc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2021

There are no findings from prior years.