

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Pro Kids Golf Academy, Inc.
dba Pro Kids | The First Tee of San Diego

We have audited the accompanying financial statements of Pro Kids Golf Academy Inc. dba Pro Kids | The First Tee of San Diego, a nonprofit organization, which comprise of the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended and the seven months ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Earning Your Trust Since 1946

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego, a nonprofit organization, as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the year ended and the seven months ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

April 15, 2016

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

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| | 2015 | 2014 |
|--|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 356,525 | \$ 306,331 |
| Pledges Receivable (Note 3) | 287,000 | 271,000 |
| Inventory | 3,703 | - |
| Prepaid Expenses | 49,797 | 25,459 |
| | 697,025 | 602,790 |
| PROPERTY AND EQUIPMENT (Note 4) | 5,703,087 | 5,884,910 |
| OTHER ASSETS | | |
| Pledges Receivable - Long-Term (Note 3) | 299,963 | 170,754 |
| Investments (Note 6) | 1,351,397 | 1,533,401 |
| Other Receivables | - | 9,811 |
| Member Loan | 7,500 | 5,000 |
| Deposits | - | 1,000 |
| Donated Collectibles | - | 4,240 |
| | 1,658,860 | 1,724,206 |
| TOTAL ASSETS | 8,058,972 | 8,211,906 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | 225,634 | 127,099 |
| Line of Credit (Note 7) | 200,000 | 200,000 |
| Unearned Revenue | 22,775 | - |
| Capital Lease - Current Portion (Note 8) | 5,086 | 4,684 |
| Note Payable - Current Portion (Note 9) | 7,655 | 7,946 |
| | 461,150 | 339,729 |
| LONG - TERM LIABILITIES | | |
| Capital Lease (Note 8) | 3,630 | 8,716 |
| Note Payable (Note 9) | 7,072 | 14,373 |
| | 10,702 | 23,089 |
| TOTAL LIABILITIES | 471,852 | 362,818 |
| NET ASSETS (Note 12) | | |
| Unrestricted | 5,748,364 | 5,741,769 |
| Unrestricted - Board Designated | 470,572 | 588,417 |
| Temporarily Restricted | 1,153,068 | 1,303,786 |
| Permanently Restricted | 215,116 | 215,116 |
| | 7,587,120 | 7,849,088 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 8,058,972 | \$ 8,211,906 |

See Accompanying Notes to the Financial Statements

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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| | 2015 | 2014 |
|---|--------------|--------------|
| CHANGES IN UNRESTRICTED NET ASSETS | | |
| REVENUES AND SUPPORT | | |
| Donations | \$ 1,627,021 | \$ 630,149 |
| Golf Course | 117,913 | 88,972 |
| Other Income | 38,470 | 9,987 |
| Investment Return | (18,813) | 17,100 |
| | 1,764,592 | 746,208 |
| Special Events, Net (Note 14) | | |
| Special Events Revenue | 775,315 | 244,332 |
| Direct Benefits to Donors | (71,615) | (34,560) |
| | 703,700 | 209,772 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | |
| Restrictions Satisfied by Payments | 257,000 | 157,741 |
| | 2,725,293 | 1,113,721 |
| EXPENSES | | |
| Program Services | 2,183,285 | 1,231,321 |
| Development | 480,308 | 245,005 |
| Management and General | 172,950 | 95,799 |
| | 2,836,543 | 1,572,125 |
| Decrease in Unrestricted Net Assets | (111,250) | (458,404) |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | |
| Donations | 138,958 | 8,339 |
| Investment Return | (32,676) | 28,296 |
| Net Assets Released from Restrictions | (257,000) | (157,741) |
| | (150,718) | (121,106) |
| TOTAL DECREASE IN NET ASSETS | (261,968) | (579,510) |
| NET ASSETS, BEGINNING OF YEAR | 7,849,088 | 8,428,598 |
| NET ASSETS, END OF YEAR | \$ 7,587,120 | \$ 7,849,088 |

See Accompanying Notes to the Financial Statements

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

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| | Program Services | Development | Management and General | Total |
|--|---------------------|-------------------|---------------------------|---------------------|
| EXPENSES | | | | |
| Auto | \$ 16,648 | \$ - | \$ - | \$ 16,648 |
| Facility and Equipment Maintenance | 223,861 | 6,102 | 2,615 | 232,578 |
| Food and Beverage | - | 13,875 | - | 13,875 |
| Green Fees | - | 16,120 | - | 16,120 |
| Impairment Loss | - | - | 4,240 | 4,240 |
| Insurance | 31,788 | 2,472 | 1,060 | 35,320 |
| Interest | 8,008 | - | - | 8,008 |
| Marketing | 25,665 | 3,191 | - | 28,856 |
| Office and Administrative | 51,650 | 10,330 | 6,887 | 68,867 |
| Outside Services | 57,654 | 7,207 | 7,207 | 72,068 |
| Personnel | 1,076,969 | 291,073 | 87,322 | 1,455,363 |
| Production | - | 118,819 | - | 118,819 |
| Professional Development | 11,107 | 494 | 740 | 12,341 |
| Professional Services | 152,492 | 54,461 | 10,892 | 217,845 |
| Rent | 6,512 | - | - | 6,512 |
| Scholarships | 136,250 | - | - | 136,250 |
| Supplies | 30,928 | 363 | - | 31,291 |
| Training and Education | 2,230 | - | - | 2,230 |
| Travel and Meals | 45,618 | 4,562 | 507 | 50,687 |
| Utilities and Telephone | 98,084 | 7,629 | 3,269 | 108,982 |
| Youth Events | 17,511 | - | - | 17,511 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 1,992,975 | 536,697 | 124,739 | 2,654,411 |
| Depreciation | 190,309 | 15,225 | 48,212 | 253,745 |
| TOTAL EXPENSES | 2,183,285 | 551,923 | 172,950 | 2,908,156 |
| Less: Direct Benefits to Donors at Special Events Included in Revenue | - | (71,615) | - | (71,615) |
| TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES | <u>\$ 2,183,285</u> | <u>\$ 480,308</u> | <u>\$ 172,950</u> | <u>\$ 2,836,543</u> |

See Accompanying Notes to the Financial Statements

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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| | Program Services | Development | Management and General | Total |
|--|---------------------|-------------------|---------------------------|---------------------|
| EXPENSES | | | | |
| Auto | \$ 6,895 | \$ - | \$ - | \$ 6,895 |
| Facility and Equipment Maintenance | 134,381 | 3,272 | 1,402 | 139,055 |
| Food and Beverage | 1,707 | 20,170 | - | 21,877 |
| Green Fees | - | 13,800 | - | 13,800 |
| Insurance | 13,311 | 1,035 | 444 | 14,790 |
| Interest | 3,686 | - | - | 3,686 |
| Marketing | 10,957 | - | - | 10,957 |
| Office and Administrative | 21,491 | 4,298 | 2,866 | 28,655 |
| Outside Services | 47,761 | 5,970 | 5,970 | 59,701 |
| Personnel | 559,094 | 151,106 | 45,332 | 755,532 |
| Production | 2,176 | 19,931 | - | 22,107 |
| Professional Development | 17,363 | 772 | 1,158 | 19,292 |
| Professional Services | 115,909 | 41,396 | 8,279 | 165,584 |
| Rent | 6,320 | - | - | 6,320 |
| Scholarships | 66,500 | - | - | 66,500 |
| Supplies | 17,548 | 1,038 | - | 18,586 |
| Training and Education | 599 | - | - | 599 |
| Travel and Meals | 32,562 | 3,256 | 362 | 36,180 |
| Utilities and Telephone | 60,211 | 4,683 | 2,007 | 66,901 |
| Youth Events | 2,396 | - | - | 2,396 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 1,120,866 | 270,728 | 67,819 | 1,459,413 |
| Depreciation | 110,453 | 8,836 | 27,981 | 147,271 |
| TOTAL EXPENSES | 1,231,321 | 279,565 | 95,799 | 1,606,684 |
| Less: Direct Benefits to Donors at Special Events Included in Revenue | - | (34,560) | - | (34,560) |
| TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES | <u>\$ 1,231,321</u> | <u>\$ 245,005</u> | <u>\$ 95,799</u> | <u>\$ 1,572,125</u> |

See Accompanying Notes to the Financial Statements

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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| | 2015 | 2014 |
|---|--------------|--------------|
| CASH FLOWS USED BY OPERATING ACTIVITIES | | |
| Decrease in Net Assets | \$ (261,968) | \$ (579,510) |
| ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES: | | |
| Depreciation | 253,745 | 147,271 |
| Loss on Investments, Net | (97,816) | (9,536) |
| Impairment Loss | 4,240 | - |
| Changes in Operating Assets and Liabilities: | | |
| Pledges Receivable | (145,209) | 150,042 |
| Inventory | (3,703) | - |
| Prepaid Expenses | (24,338) | (17,847) |
| Other Receivables | 9,811 | 23,841 |
| Member Loan | (2,500) | (5,000) |
| Deposits | 1,000 | - |
| Accounts Payable and Accrued Expenses | 97,618 | 60,718 |
| Unearned Revenue | 23,692 | (23,000) |
| | 116,540 | 326,489 |
| NET CASH USED BY OPERATING ACTIVITIES | (145,428) | (253,021) |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES | | |
| Proceeds on Sales of Investments | 1,232,641 | 527,110 |
| Acquisitions of Property and Equipment | (71,922) | (25,700) |
| Acquisitions of Investments | (952,821) | (457,093) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 207,898 | 44,317 |
| CASH FLOWS (USED)/PROVIDED BY FINANCING ACTIVITIES | | |
| Change in Line of Credit | - | 200,000 |
| Principal Payments on Capital Lease | (4,684) | (2,560) |
| Principal Payments on Note Payable | (7,592) | (4,352) |
| NET CASH (USED)/PROVIDED BY FINANCING ACTIVITIES | (12,276) | 193,088 |
| NET INCREASE/(DECREASE) IN CASH | 50,194 | (15,616) |
| CASH, BEGINNING OF YEAR | 306,331 | 321,947 |
| CASH, END OF YEAR | \$ 356,525 | \$ 306,331 |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest Paid | \$ 8,008 | \$ 3,686 |

See Accompanying Notes to the Financial Statements

PRO KIDS GOLF ACADEMY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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NOTE 1 THE ORGANIZATION

Pro Kids Golf Academy, Inc. dba Pro Kids | The First Tee of San Diego (the "Organization") is a non-profit corporation and a pioneer national leader in youth development programs. The Pro Kids Academy (the "Academy") provides structured attendance based program that bridges the gap of core competency resources for underserved kids. Through research and understanding the Organization identified seven core competencies that, if developed and supported, can lead to an increased chance of life long success. These competencies include: STEAM (Science, Technology, Engineering, Arts and Math) interest and confidence, grade level proficiency, resiliency, leadership, professionalism, upward mobility and self-sufficiency. All Academy activities and programs emphasize these seven competencies through a balanced expectation of golf and life skills progression, academic proficiency reinforcement and leadership development. Students attend at least two times per week doing core activities with a consistent team and team leader. All Academy activities are also an important part of the experience through field games, field trips and special events. The Academy provides its members with the skills, knowledge and access to greater opportunity, using academic support, golf and enrichment to excel in life. In addition, college scholarships are provided for deserving members who are an active part of the program.

The Organization was incorporated as a 501 (c) (3), not-for-profit organization in 1994. A small group of sports – minded business leaders partnered with the City of San Diego to provide underserved youth with positive recreational activities and to increase minority participation in junior golf programs. Currently, Pro Kids partners with the city and county schools in San Diego and Oceanside, providing physical education classes, serving as a resource for local high school golf teams and acting as a centralized equipment donation program for the San Diego County region.

The Organization consists of the following activities and funding sources:

- 1) General activities funded by general unrestricted donations.
- 2) Special activities funded by restricted donations and grants.
- 3) Sale of merchandise and green fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) in the United States.

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial Statement Presentation - The Organization follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents - The Organization considers financial instruments with a fixed maturity date of less than two months to be cash equivalents. The Organization maintains two checking accounts at a national bank and four cash accounts at a national investment firm. At various times, cash balances may exceed federally insured deposit limits. As of December 31, 2015 and 2014, there were no amounts in excess of FDIC limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Pledges Receivable - The pledges receivable consist of donor promises to give and reimbursement grants. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. All pledges receivable are considered collectible as of December 31, 2015 and 2014.

A discount on pledges receivable expected to be received over several years are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in donations revenue.

Inventory - The Organization values its inventory at the lower of cost or market and uses the last-in first-out method. Inventory consists of merchandise held in the Pro Shop at the Colina Park facility. The sale of merchandise had been previously outsourced to an unrelated third party, then on December 31, 2015 the Organization purchased the inventory and began managing the Pro Shop operations.

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property, building and leasehold improvements are stated at cost. Major renewals and improvements are capitalized and charged to expense through depreciation expense. Repairs and maintenance are charged to expense as incurred. Depreciation is provided on a straight line basis over the estimated useful lives of the depreciable assets of 3 to 39 years. Golf course land improvements are carried at cost and are not subject to depreciation.

Impairment of Property and Equipment - The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amounts of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such property. There were no impairment losses recognized for the year ended December 31, 2015 and the seven months ended December 31, 2014.

Investments - Investments are carried at fair market value. Income on investments is recognized as revenue in the period it is earned, and realized and unrealized gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Unearned Revenue - Rounds of golf can be purchased in advance at the Colina Park Pro Shop. Revenue is not recognized until the player redeems their purchase by playing the rounds of golf. The balance in unearned revenue represents the outstanding rounds of golf that have been purchased but not yet redeemed. On December 31, 2015 the Organization signed an agreement to bring the management of the pro shop in-house. This service was previously provided by an unrelated third party. The agreement included the transfer of the unearned revenue liability at December 31, 2015.

Fair Value Measurement - The Organization follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Revenue Recognition - The financial statements of the Organization are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when earned or a donor makes a promise to give that is, in substance, unconditional. Revenue from cost reimbursement of grants is generally recorded when the costs are billed to the granting agency.

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor-Imposed Restrictions - All contributions are considered to be unrestricted unless specifically restricted by donor. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as temporarily or permanently restricted, increasing those net assets classes. However, if a restriction is fulfilled in the same fiscal period in which the contribution is received, the support is reported as unrestricted.

Investment income that is limited to specific uses by donor restrictions is reported as increases in temporarily restricted net assets until the restriction is fulfilled.

Donated Goods and Services - The Organization records donated goods with a fair value of \$2,000 or more. In addition, the Organization recognizes the value of donated services by recording the donations at fair value. All donated services recognized create a non-financial asset or required specialized skills that would have been purchased if not donated. There were no donated goods or services for the year ended December 31, 2015 and the seven months ended December 31, 2014.

Income Taxes - The Organization is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of December 31, 2015 and 2014 the Organization has no accrued interest or penalties related to uncertain tax positions.

Fiscal Year Change - Effective the calendar year beginning January 1, 2015, the Organization has changed from a fiscal year end of May 31 to December 31. A seven month fiscal transition period from June 1, 2014 through December 31, 2014 precedes the start of the new calendar-year cycle.

PRO KIDS GOLF ACADEMY, INC.
dba PRO KIDS | THE FIRST TEE OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

NOTE 3 PLEDGES RECEIVABLE

Long-term pledges receivable are shown at present value using discount rates ranging from 1.41% - 1.51%. The Organization discounted three pledges which are collectible from one to four years. The discount on the pledges was \$14,037 and \$8,246 at December 31, 2015 and 2014, respectively.

Pledges receivable consist of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|-------------------------------------|------------|------------|
| Gross Pledges Receivable | \$ 601,000 | \$ 450,000 |
| Less: Discount to Net Present Value | (14,037) | (8,246) |
| Net Pledges Receivable | \$ 586,963 | \$ 441,754 |
| | | |
| | 2015 | 2014 |
| Amounts Due In: | | |
| Less Than One Year | \$ 287,000 | \$ 271,000 |
| One To Five Years | 314,000 | 179,000 |
| | \$ 601,000 | \$ 450,000 |

PRO KIDS GOLF ACADEMY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

| | 2015 | 2014 |
|---|--------------|--------------|
| Colina Park: | | |
| Leasehold Improvements | \$ 4,071,078 | \$ 4,071,077 |
| Golf Course Equipment | 239,211 | 199,759 |
| Program Furniture, Fixtures and Equipment | 183,663 | 175,064 |
| Vehicles | 94,950 | 71,080 |
| | 4,588,902 | 4,516,980 |
| Oceanside: | | |
| Leasehold Improvements | 2,750,635 | 2,750,635 |
| Program Furniture, Fixtures and Equipment | 72,583 | 72,583 |
| Vehicles | 65,215 | 65,215 |
| | 2,888,433 | 2,888,433 |
| | 7,477,335 | 7,405,413 |
| Less Accumulated Depreciation | (1,774,248) | (1,520,503) |
| | \$ 5,703,087 | \$ 5,884,910 |

Depreciation expense was \$253,745 and \$147,271 for the year ended December 31, 2015 and the seven months ended December 31, 2014, respectively.

PRO KIDS GOLF ACADEMY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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NOTE 5 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value measurement to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The investments in exchange traded funds and exchange traded notes are valued at market prices in active markets and have readily determinable fair values. These assets are classified as Level 1.

The investments in bond funds are valued at market prices in inactive markets. These assets are classified as Level 2.

PRO KIDS GOLF ACADEMY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND THE SEVEN MONTHS ENDED DECEMBER 31, 2014

NOTE 5 FAIR VALUE MEASUREMENT (Continued)

Financial assets carried at fair value and measured on a recurring basis at December 31, 2015 are classified below in one of the three levels described above:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|--------------|------------|---------|--------------|
| Assets | | | | |
| Exchange Traded Funds | | | | |
| Large Core | \$ 375,417 | \$ - | \$ - | \$ 375,417 |
| High Moderate | 233,235 | - | - | 233,235 |
| Large Value | 109,556 | - | - | 109,556 |
| Medium Value | 106,382 | - | - | 106,382 |
| Medium Core | 101,760 | - | - | 101,760 |
| Low Moderate | 81,134 | - | - | 81,134 |
| Medium Limited | 61,976 | - | - | 61,976 |
| Small Core | 56,094 | - | - | 56,094 |
| | 1,125,553 | - | - | 1,125,553 |
| Bonds | | | | |
| Corporate U.S. Bonds | - | 201,538 | - | 201,538 |
| Exchange Traded Notes | | | | |
| Energy | 24,306 | - | - | 24,306 |
| | \$ 1,149,859 | \$ 201,538 | \$ - | \$ 1,351,397 |

PRO KIDS GOLF ACADEMY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 FAIR VALUE MEASUREMENT (Continued)

Financial assets carried at fair value and measured on a recurring basis at December 31, 2014 are classified below in one of the three levels described above:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|--------------|------------|---------|--------------|
| Assets | | | | |
| Exchange Traded Funds | | | | |
| Large Value | \$ 420,837 | \$ - | \$ - | \$ 420,837 |
| Large Core | 348,153 | - | - | 348,153 |
| High Moderate | 138,793 | - | - | 138,793 |
| Medium Limited | 119,028 | - | - | 119,028 |
| Low Moderate | 59,555 | - | - | 59,555 |
| Medium Core | 55,716 | - | - | 55,716 |
| Small Core | 41,648 | - | - | 41,648 |
| Low Extensive | 14,591 | - | - | 14,591 |
| | 1,198,321 | - | - | 1,198,321 |
| Bonds | | | | |
| Corporate U.S. Bonds | - | 202,113 | - | 202,113 |
| Corporate Foreign Bonds | - | 15,773 | - | 15,773 |
| | - | 217,886 | - | 217,886 |
| Mutual Funds | | | | |
| Large Value | 92,306 | - | - | 92,306 |
| Exchange Traded Note | | | | |
| Energy | 24,888 | - | - | 24,888 |
| | \$ 1,315,515 | \$ 217,886 | \$ - | \$ 1,533,401 |

The Organization may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. The adjustments to fair value usually result from application of lower-of-cost-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at year end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios.

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NOTE 5 FAIR VALUE MEASUREMENT (Continued)

Financial assets carried at fair value and measured on a non-recurring basis at December 31, 2015 are classified below in one of the three levels described above:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|---------|---------|------------|------------|
| Assets | | | | |
| Pledge Receivables | \$ - | \$ - | \$ 586,963 | \$ 586,963 |

Financial assets carried at fair value and measured on a non-recurring basis at December 31, 2014 are classified below in one of the three levels described above:

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------|-------------|-------------|-------------------|-------------------|
| Assets | | | | |
| Pledges Receivable | \$ - | \$ - | \$ 441,754 | \$ 441,754 |
| Donated Collectibles | - | - | 4,240 | 4,240 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 445,994</u> | <u>\$ 445,994</u> |

The Organization's management team values the collectibles through the use of an appraiser using the market method. Based on current appraisal the Organization has recognized an impairment loss of \$4,240 for the year ended December 31, 2015, reducing the realizable value to \$0. This loss is reported as a separate line item on the Statement of Functional Expenses.

Pledges receivable are valued annually and multi-year pledges are discounted using discount rates of 1.41% - 1.51% (see Note 3). There were no changes in the valuation method during the current year.

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2015:

| | Pledges Receivable | Donated Collectibles | Total |
|------------------------------|-----------------------|-------------------------|-------------------|
| Balance at January 1, 2015 | \$ 441,754 | \$ 4,240 | \$ 445,994 |
| New Pledges Received | 425,000 | - | 425,000 |
| Collections | (274,000) | - | (274,000) |
| Discount on Pledges | (5,791) | - | (5,791) |
| Impairment Loss | - | (4,240) | (4,240) |
| Balance at December 31, 2015 | <u>\$ 586,963</u> | <u>\$ -</u> | <u>\$ 586,963</u> |

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NOTE 5 FAIR VALUE MEASUREMENT (Continued)

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the seven months ended December 31, 2014.

| | Pledges Receivable | Donated Collectibles | Total |
|------------------------------|-----------------------|-------------------------|-------------------|
| Balance at June 1, 2014 | \$ 591,796 | \$ 4,240 | \$ 596,036 |
| New Pledges Received | - | - | - |
| Collections | (154,105) | - | (154,105) |
| Discount on Pledges | 4,063 | - | 4,063 |
| Balance at December 31, 2014 | <u>\$ 441,754</u> | <u>\$ 4,240</u> | <u>\$ 445,994</u> |

NOTE 6 INVESTMENTS

Exchange traded funds, bonds, and exchange traded notes are held at fair market value and consist of the following at December 31, 2015:

| | Cost | Fair Value |
|-----------------------|---------------------|---------------------|
| Exchange Traded Funds | \$ 1,072,172 | \$ 1,125,553 |
| Bonds | 211,770 | 201,538 |
| Exchange Traded Note | 21,629 | 24,306 |
| | <u>\$ 1,305,571</u> | <u>\$ 1,351,397</u> |

Exchange traded funds, mutual funds and corporate bonds are held at fair market value and consist of the following at December 31, 2014:

| | Cost | Fair Value |
|-----------------------|---------------------|---------------------|
| Exchange Traded Funds | \$ 1,074,397 | \$ 1,198,321 |
| Bonds | 211,770 | 217,886 |
| Mutual Funds | 94,399 | 92,306 |
| Exchange Traded Note | 24,888 | 24,888 |
| | <u>\$ 1,405,454</u> | <u>\$ 1,533,401</u> |

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NOTE 6 INVESTMENTS (Continued)

The following schedule summarizes the Organization's return on investment and its classification in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------|--------------------|---------------------------|---------------------------|--------------------|
| Dividends and Interest | \$ 12,163 | \$ 34,164 | \$ - | \$ 46,327 |
| Investment Loss | (26,161) | (60,824) | - | (86,985) |
| Investment Fees | (4,815) | (6,016) | - | (10,831) |
| Total Investment Return | <u>\$ (18,813)</u> | <u>\$ (32,676)</u> | <u>\$ -</u> | <u>\$ (51,489)</u> |

The following schedule summarizes the Organization's return on long-term investments and its classification in the Statement of Activities and Changes in Net Assets for the seven months ended December 31, 2014:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------|------------------|---------------------------|---------------------------|------------------|
| Dividends and Interest | \$ 11,001 | \$ 24,859 | \$ - | \$ 35,860 |
| Investment Gains | 9,493 | 7,196 | - | 16,689 |
| Investment Fees | (3,394) | (3,759) | - | (7,153) |
| Total Investment Return | <u>\$ 17,100</u> | <u>\$ 28,296</u> | <u>\$ -</u> | <u>\$ 45,396</u> |

NOTE 7 LINE OF CREDIT

The Organization has an agreement with a commercial bank for a \$200,000 unsecured line of credit. The interest rate on the line is the lender's prime rate plus 2.00%, but no less than 6.00%. The lender's prime rate was 5.50% and 6.00% at December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014 \$200,000 had been drawn on the line. The line of credit is due on August 1, 2016.

Interest expense related to the line is \$6,913 and \$2,184 for the year ended December 31, 2015 and the seven months ended December 31, 2014, respectively.

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NOTE 8 CAPITAL LEASE

In September 2013, the Organization purchased equipment under a capital lease. The monthly lease payment is \$468 per month, with an interest rate of 8.36%. The lease expires in August 2017 and contains a bargain purchase option at the end of the lease term. This equipment is included in property and equipment on the accompanying Statements of Financial Position as of December 31, 2015 and 2014 with a capitalized cost of \$18,895 and accumulated depreciation of \$8,503 and \$4,724, respectively. Depreciation of assets held under the capital lease is included with depreciation expense. Interest expense related to the capital lease is \$931 and \$715 for the year ended December 31, 2015 and the seven months ended December 31, 2014, respectively.

Minimum future lease payments under the capital lease for the years ended December 31:

| | | | |
|---|------|----|---------------------|
| | 2016 | \$ | 5,616 |
| | 2017 | | 3,744 |
| | | | <u>9,360</u> |
| Less Amount Representing Interest | | | (644) |
| Present Value of Minimum Lease Payments | | \$ | <u><u>8,716</u></u> |
| | | | |
| Current Principal Obligations | | \$ | 5,086 |
| Non-Current Principal Obligations | | | 3,630 |
| | | \$ | <u><u>8,716</u></u> |

NOTE 9 NOTE PAYABLE

In December 2012, the Organization entered into a note payable for a vehicle. The balance of the note at December 31, 2015 and 2014 was \$14,727 and \$22,319, respectively. The note requires monthly principal payments of \$646 with interest at 0.90%. The note matures in December 2017.

The future principal payments required under this note payable for the years ended December 31 are as follows:

| | | | |
|--|------|----|---------------|
| | 2016 | \$ | 7,655 |
| | 2017 | | 7,072 |
| | | | <u>14,727</u> |

Interest expense related to the note is \$164 and \$133 for the year ended December 31, 2015 and the seven months ended December 31, 2014, respectively.

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NOTE 10 COMMITMENTS

The Organization leases its headquarters office, land and golf course in San Diego under an operating lease with the City of San Diego. During the year ended May 31, 2013, the Organization entered into a twenty-five year lease with the City of San Diego. The annual rent base is \$3,167 per year and is subject to increases based on the Consumer Price Index. The total rent expense was \$3,413 and \$3,320 for the year ended December 31, 2015 and the seven months ended December 31, 2014, respectively.

The Organization moved to its office building situated on the leased golf course property on October 8, 2001. The building costs have been capitalized as leasehold improvements.

In July 2010, the Organization entered into a thirty year lease agreement with the City of Oceanside for its Oceanside facility. The annual rent is \$3,000 per year. Total rent expense for the year ended December 31, 2015 and the seven months ended was \$3,000.

Minimum future rental payments, in aggregate, for the years ended December 31 are as follows:

| | | | |
|--|------------|----|------------|
| | 2016 | \$ | 6,167 |
| | 2017 | | 6,167 |
| | 2018 | | 6,167 |
| | 2019 | | 6,167 |
| | 2020 | | 6,167 |
| | Thereafter | | 117,006 |
| | | | \$ 147,841 |

NOTE 11 ENDOWMENT FUND

Phil and Margie Ward Scholarship Fund - The Organization has received donations for the purpose of creating an endowment fund to support college scholarships described above. The donations are permanently restricted in nature and only the investment earnings on the principal can be used for scholarship distributions. Earnings on the fund are transferred at the end of each fiscal year to the scholarship investment accounts to be used for scholarship distributions. The Organization's Board of Directors oversees the fund's investment and granting of college scholarships. The funds are to be invested with a focus on security of principal and high current returns, which may include interest bearing investments. The fund had a balance of \$233,373 and \$238,941 at December 31, 2015 and 2014, respectively.

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NOTE 11 ENDOWMENT FUND (Continued)

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment finds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has the following endowment related activities and changes in endowment net assets for the year ending December 31, 2015:

| | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------------|---------------------------|------------|
| Endowment Net Assets | | | |
| Beginning of Year | \$ 23,825 | \$ 215,116 | \$ 238,941 |
| Contributions | - | - | - |
| Dividends and Interest | 10,780 | - | 10,780 |
| Investment Loss | (16,348) | - | (16,348) |
| Amounts Appropriated for Expenditures | - | - | - |
| Endowment Net Assets, End of Year | \$ 18,257 | \$ 215,116 | \$ 233,373 |

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NOTE 11 ENDOWMENT FUND (Continued)

The Organization has the following endowment related activities and changes in endowment net assets for the seven months ending December 31, 2014:

| | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------------|---------------------------|------------|
| Endowment Net Assets | | | |
| Beginning of Year | \$ - | \$ 215,116 | \$ 215,116 |
| Contributions | - | - | - |
| Dividends and Interest | 11,862 | - | 11,862 |
| Investment Gains | 6,363 | - | 6,363 |
| Reclassification | 5,600 | - | 5,600 |
| Amounts Appropriated for Expenditures | - | - | - |
| Endowment Net Assets, End of Year | \$ 23,825 | \$ 215,116 | \$ 238,941 |

NOTE 12 NET ASSETS

Board Designated Assets:

EHW Legacy Fund - The founder of the Organization, Ernest H. Wright Sr., passed away in 2007 and memorial donations have been accumulated in The EHW Legacy Fund. The balance in this Board Designated Fund was \$470,572 and \$588,417 on December 31, 2015 and 2014, respectively.

Temporarily Restricted Net Assets:

Scholarship Fund - The Organization receives donations to a scholarship fund and disburses college scholarships to qualified kids who have participated in the Pro Kids Golf Academy program. The balance in this fund was \$86,317 and \$129,792 on December 31, 2015 and 2014, respectively.

Pro Kids Oceanside - The Organization constructed a facility in Oceanside, California patterned largely after the successful Pro Kids Golf Academy in place at Colina Park. The construction and initial operation of the facility was funded through a multi-year capital campaign. The balance in this fund was \$236,203 and \$423,994 on December 31, 2015 and 2014, respectively.

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NOTE 12 NET ASSETS (Continued)

Academy Fund - The Organization receives donations to support the operations of the academy program. The balance in this fund was \$40,000 and \$0 on December 31, 2015 and 2014, respectively.

Equipment Fund - The Organization receives donations for the purchase and installation of golf equipment. The balance of this fund was \$40,548 and \$0 on December 31, 2015 and 2014, respectively.

County of San Diego Grant - During the years ended May 31, 2009 and May 31, 2008, the Organization received a total of three \$250,000 grants from the County of San Diego for purposes of supporting program expenditures and capital improvements. The grants are subject to restrictions which include (1) use of earnings only for the first ten years and (2) beginning the eleventh year the grant funds may be spent over the next five years with a maximum of \$150,000 per year plus earnings. Any amounts not spent up to each year's \$150,000 limit may be spent in subsequent years. These funds can only be spent on program and capital expenditures that directly benefit the children that attend the Organization, while the investment earnings on the principal amounts are unrestricted. The balance in this fund on December 31, 2015 and 2014 was \$750,000. In November 2015 the Organization submitted an amendment request to the County of San Diego which proposed an accelerated draw-down schedule that would begin in 2016 instead of 2017. The amendment request was approved by the County of San Diego and the Organization made its initial draw of \$150,000 in April 2016.

Permanently Restricted Net Assets:

Phil and Margie Ward Scholarship Fund - The Organization has received donations for purposes of supporting its scholarship program (see Note 11). The balance of permanently restricted funds in this account on December 31, 2015 and 2014 was \$215,116.

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NOTE 13 GRANTS

The Organization receives grants for financial assistance from various government agencies and foundations. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Organization. In the opinion of the Organization's management, no material reimbursement of funds will be required as a result of expenditures allowed.

| Significant Grants Solicited and Received January 1 - December 31, 2015 | Type of Grant | Amount |
|--|------------------------|------------|
| The Thomas C. Ackerman Foundation | Learning Center | \$ 5,000 |
| Heller Foundation of San Diego | Learning Center | \$ 5,000 |
| Country Friends | Oceanside | \$ 5,000 |
| Farrell Family Foundation | Learning Center | \$ 10,000 |
| San Diego Gas & Electric | Celebrates Sponsorship | \$ 10,000 |
| San Diego Social Venture Partners | Operating | \$ 12,500 |
| Samuel & Katherine Weaver French Fund | Operating | \$ 15,000 |
| County of San Diego | Oceanside | \$ 20,000 |
| Gumpert Foundation | Academy | \$ 20,000 |
| Price Philanthropies | Operating | \$ 25,000 |
| The Donald & Carole Chaiken | Operating | \$ 25,000 |
| Las Patronas | Capital | \$ 34,000 |
| County of San Diego | Operating | \$ 40,000 |
| County of San Diego | Capital | \$ 50,000 |
| Harriet E. Pflieger Foundation | Golf Program | \$ 60,000 |
| Gumpert Foundation | Scholarship | \$ 100,000 |
| Gumpert Foundation | Operating | \$ 100,000 |
| Qualcomm Foundation | Operating | \$ 100,000 |
| Walter J. & Betty C. Zable Foundation | Operating | \$ 250,222 |

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NOTE 14 SPECIAL EVENTS

Special event revenues and expenses consist of the following for the year ended December 31, 2015 and the seven months ended December 31, 2014:

| Revenue: | 2015 | 2014 |
|--------------------------------|-------------------|-------------------|
| Sponsorships | \$ 296,408 | \$ 168,707 |
| Ticket Sales | 239,207 | 56,175 |
| Auction Proceeds | 62,200 | 13,000 |
| Donations | 177,500 | 6,450 |
| | <u>775,315</u> | <u>244,332</u> |
| Expenses: | | |
| Direct Benefit to Donors | 71,615 | 34,560 |
| Other Expenses | 146,160 | 9,845 |
| | <u>217,775</u> | <u>44,405</u> |
| Net Special Events Revenue | <u>\$ 557,540</u> | <u>\$ 199,927</u> |

NOTE 15 RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan for its employees. The Organization provides matching contributions to the plan up to a maximum of 3% of the salaries of participating employees. The total matching contribution for the year ended December 31, 2015 and the seven months ended December 31, 2014 was \$13,467 and \$1,307, respectively. All contributions to the plan are 100% vested.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 15, 2016, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.