

**FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS**

FINANCIAL STATEMENTS

September 30, 2019 and 2018



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FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
TABLE OF CONTENTS
SEPTEMBER 30, 2019

REPORT

| | |
|------------------------------|---|
| Independent Auditors' Report | 1 |
|------------------------------|---|

FINANCIAL STATEMENTS

| | |
|--|---|
| Statements of Financial Position | 3 |
| Statement of Activities – 2019 | 4 |
| Statement of Activities – 2018 | 5 |
| Statement of Functional Expense – 2019 | 6 |
| Statement of Functional Expense – 2018 | 7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9 |

SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer | 19 |
| Schedule of Charitable Giving | 20 |
| Schedule of Contributions Paid in 2019 | 21 |

OTHER INDEPENDENT AUDITORS' REPORT

| | |
|---|----|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 23 |
| Schedule of Findings and Responses | 25 |



Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fore!Kids Foundation, Inc.
d/b/a Zurich Classic of New Orleans
Avondale, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans (a nonprofit) (the Foundation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of compensation, benefits, and other payments to Chief Executive Officer, schedule of charitable giving for the year ended September 30, 2019 and the schedule of contributions paid in 2019, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Caru, Riggs & Ingram, L.L.C.

February 13, 2020

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION

| <i>As of September 30,</i> | 2019 | 2018 <i>(as restated)</i> |
|--|---------------------|-------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,252,949 | \$ 5,546,068 |
| Investments | 3,909,698 | 3,653,079 |
| Accounts receivable | 1,154,331 | 982,335 |
| Other assets | 14,822 | 8,924 |
| Total current assets | 6,331,800 | 10,190,406 |
| PROPERTY AND EQUIPMENT, net | - | - |
| TOTAL ASSETS | \$ 6,331,800 | \$ 10,190,406 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 241,170 | \$ 336,940 |
| Contributions payable | 1,545,000 | 1,443,000 |
| Deferred revenue | 77,525 | 4,301,515 |
| Total current liabilities | 1,863,695 | 6,081,455 |
| NET ASSETS | | |
| Without donor restriction | 4,468,105 | 4,108,951 |
| Total net assets without donor restriction | 4,468,105 | 4,108,951 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,331,800 | \$ 10,190,406 |

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

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENTS OF ACTIVITIES

| <i>For the Year Ended September 30, 2019</i> | Without Donor Restriction | With Donor Restriction | Total |
|--|--------------------------------------|-----------------------------------|---------------------|
| SUPPORT AND REVENUES | | | |
| Tournament | \$ 12,462,551 | \$ - | \$ 12,462,551 |
| Golf Ball | 36,038 | - | 36,038 |
| Membership dues | 120,644 | - | 120,644 |
| Contributions | 377,410 | - | 377,410 |
| Cooperative endeavor agreements | 515,114 | - | 515,114 |
| Other | 144,261 | - | 144,261 |
| Total support and revenues | 13,656,018 | - | 13,656,018 |
| EXPENSES | | | |
| Tournament | 11,418,856 | - | 11,418,856 |
| Contributions | 1,661,607 | - | 1,661,607 |
| General and administrative | 497,540 | - | 497,540 |
| Total expenses | 13,578,003 | - | 13,578,003 |
| CHANGES IN NET ASSETS BEFORE OTHER REVENUES | 78,015 | - | 78,015 |
| OTHER REVENUES | | | |
| Dividends and interest income | 162,694 | - | 162,694 |
| Realized gain on investments | 88,057 | - | 88,057 |
| Unrealized gains on investments | 30,388 | - | 30,388 |
| Total other revenues | 281,139 | - | 281,139 |
| CHANGES IN NET ASSETS | 359,154 | - | 359,154 |
| NET ASSETS - Beginning of year | 4,108,951 | - | 4,108,951 |
| NET ASSETS - End of year | \$ 4,468,105 | \$ - | \$ 4,468,105 |

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

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENTS OF ACTIVITIES

| <i>For the Year Ended September 30, 2018 (as restated)</i> | Without Donor Restriction | With Donor Restriction | Total |
|--|--------------------------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUES | | | |
| Tournament | \$ 12,501,834 | \$ - | \$ 12,501,834 |
| Golf Ball | 67,566 | - | 67,566 |
| Membership dues | 114,875 | - | 114,875 |
| Contributions | 325,661 | - | 325,661 |
| Cooperative endeavor agreements | 311,000 | - | 311,000 |
| Other | 134,000 | - | 134,000 |
| Total support and revenues | 13,454,936 | - | 13,454,936 |
| EXPENSES | | | |
| Tournament | 11,277,170 | - | 11,277,170 |
| Contributions | 1,602,310 | - | 1,602,310 |
| General and administrative | 515,502 | - | 515,502 |
| Total expenses | 13,394,981 | - | 13,394,981 |
| CHANGES IN NET ASSETS BEFORE OTHER REVENUES | 59,955 | - | 59,955 |
| OTHER REVENUES | | | |
| Dividends and interest income | 106,944 | - | 106,944 |
| Realized gain on investments | 130,682 | - | 130,682 |
| Unrealized gains on investments | 79,512 | - | 79,512 |
| Total other revenues | 317,138 | - | 317,138 |
| CHANGES IN NET ASSETS | 377,093 | - | 377,093 |
| NET ASSETS - Beginning of year | 3,731,858 | - | 3,731,858 |
| NET ASSETS - End of year | \$ 4,108,951 | \$ - | \$ 4,108,951 |

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

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSE

| <i>For the Year Ended September 30, 2019</i> | <u>Program Services</u> | | <u>Supporting Services</u> | <u>Total</u> |
|--|-------------------------|----------------------|-----------------------------------|----------------------|
| | <u>Tournament</u> | <u>Contributions</u> | <u>General and Administration</u> | |
| Purse | \$ 7,300,000 | \$ - | \$ - | \$ 7,300,000 |
| Tournament buildout & equipment | 3,180,403 | - | - | 3,180,403 |
| Other tournament expenses | 138,126 | - | - | 138,126 |
| Salary and benefits | 713,170 | - | 277,544 | 990,715 |
| Insurance | 75,028 | - | - | 75,028 |
| Grants | - | 1,661,607 | - | 1,661,607 |
| Membership | - | - | 66,380 | 66,380 |
| Travel | 12,128 | - | - | 12,128 |
| Rent | - | - | 80,001 | 80,001 |
| Office expense | - | - | 73,615 | 73,615 |
| Total expenses | \$ 11,418,856 | \$ 1,661,607 | \$ 497,540 | \$ 13,578,003 |

The accompanying notes are an integral part of this financial statement.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSE

| <i>For the Year Ended September 30, 2018</i> | <u>Program Services</u> | | <u>Supporting Services</u> | <u>Total</u> |
|--|-------------------------|----------------------|-----------------------------------|----------------------|
| | <u>Tournament</u> | <u>Contributions</u> | <u>General and Administration</u> | |
| Purse | \$ 7,200,000 | \$ - | \$ - | \$ 7,200,000 |
| Tournament buildout & equipment | 3,131,188 | - | - | 3,131,188 |
| Other tournament expenses | 130,058 | - | - | 130,058 |
| Salary and benefits | 729,309 | - | 271,018 | 1,000,326 |
| Insurance | 75,029 | - | - | 75,029 |
| Grants | - | 1,602,310 | - | 1,602,310 |
| Membership | - | - | 69,904 | 69,904 |
| Travel | 11,586 | - | - | 11,586 |
| Rent | - | - | 80,001 | 80,001 |
| Office expense | - | - | 70,203 | 70,203 |
| Golf Ball | - | - | 24,376 | 24,376 |
| Total expenses | \$ 11,277,170 | \$ 1,602,310 | \$ 515,502 | \$ 13,394,981 |

The accompanying notes are an integral part of this financial statement.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENTS OF CASH FLOWS

| <i>For the Years Ended September 30,</i> | 2019 | 2018 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 359,154 | \$ 377,093 |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | |
| Unrealized gains on investments | (30,388) | (79,512) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (171,996) | 236,025 |
| Other assets | (5,898) | 4,031 |
| Accounts payable | (95,770) | (124,035) |
| Contributions payable | 102,000 | 150,000 |
| Deferred revenue | (4,223,990) | 89,413 |
| Net cash (used in) provided by operating activities | (4,066,888) | 653,015 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | 1,907,224 | (689,354) |
| Realized gains on investments | (88,057) | (130,682) |
| Sales of investments | (2,045,398) | 433,819 |
| Net cash used in investing activities | (226,231) | (386,217) |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | (4,293,119) | 266,798 |
| CASH AND CASH EQUIVALENTS - Beginning of year | 5,546,068 | 5,279,270 |
| CASH AND CASH EQUIVALENTS - End of year | \$ 1,252,949 | \$ 5,546,068 |

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

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Fore!Kids Foundation, Inc. (the Foundation) was incorporated on September 20, 1990 under the laws of the State of Louisiana as a non-profit corporation and does business as the Zurich Classic of New Orleans. The primary purpose of the Foundation is the promotion and support of children's charities for the community of New Orleans by promoting, managing and sponsoring an annual Professional Golfers' Association (the PGA) Tour golf tournament (the Tournament). The Tournament is sponsored under a written agreement with the PGA Tour, which details the terms and conditions of the Tournament, prizes to professionals, financial obligations and general division of duties of the parties. The Foundation has an annual charitable impact of approximately \$2.1 million dollars on the New Orleans metropolitan area and Southeast Louisiana.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958), which establishes external financial reporting for not-for-profit organizations and classification of resources into two separate categories of net assets, as follows:

Net Assets Without Donor Restriction – Net assets not subject to donor-imposed restrictions. A portion of unrestricted net assets are designated amounts set aside by the board of directors.

Net Assets With Donor Restriction – Net assets subject to donor-imposed restrictions that will be met by the actions of the Foundation or the passage of time or net assets subject to donor-imposed restrictions that are required to be maintained permanently by the Foundation. Generally, the donors of these assets stipulate that the income earned on related investments should be used for specific purposes. There were no assets with donor restrictions as of September 31, 2019 and 2018.

Use of Estimates

The preparation of the Foundation's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Fore!Kids Foundation, Inc. considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements.

Investments

The Foundation investments are stated at fair value. Investment income is recognized when earned. The change in unrealized gains and losses is included in the changes in net assets without donor restriction in the accompanying statements of activities. Investments consist of mutual funds, equity securities and bonds.

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820 – *Fair Value Measurements and Disclosures* defines fair value as 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 and establish a framework for measuring fair value as described below.

Fair Value Measurements

Accounting Standards Codification (ASC) Fair Value Measurements establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles (GAAP) and disclosures about the fair value measurements. The valuation hierarchy is based upon the reliability of inputs to the valuation of an asset or liability on the measurement date. The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The depreciation methods used by the Foundation are as follows:

| | | |
|------------------------|---------------|------------|
| Equipment | Straight-line | 5-7 years |
| Leasehold improvements | Straight-line | 7-10 years |

Property and equipment are stated at cost, less accumulated depreciation. Additions, improvements and expenditures for maintenance that materially add to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to operations in the year incurred.

Accounts Receivable

Accounts receivable are stated at the amount the Foundation expects to collect. The primary receivables are from the PGA Tour and the title sponsor, Zurich Insurance Company (Zurich). Money pledged from the PGA Tour is withheld until the annual financial statement audit is submitted. The Foundation believes all receivables are collectible; therefore no allowance existed at September 30, 2019 and 2018.

Deferred Revenue

The Foundation receives part of its annual sponsorship rights with Zurich in June of each year. This revenue is part of the next year's sponsorship agreement and must be deferred at the time of receipt because it is not earned until the following year. Additional amounts in deferred revenues amount to membership fees or suite fees for the upcoming tournament.

Revenue With and Without Donor Restriction and Other Support

The Foundation's primary source of revenue is from the staging of its annual PGA-sponsored Tournament. Approximately 92% of the revenue earned during the year comes from ticket sales and television and sponsorship rights associated with the Tournament. The current contract with the PGA and Zurich, the title sponsor, runs through the 2026 golf tournament.

Donations that are restricted by the donor are reported as increases in revenue without donor restriction if the restrictions expire (that is, a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted donations are reported as increases in revenue with donor restriction, depending on the nature of the restriction.

When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction. As of September 30, 2019, there are no net assets with donor restriction.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue With and Without Donor Restriction and Other Support (Continued)

The Foundation has three cooperative endeavor agreements with the State of Louisiana (the State). The purpose of each of the cooperative endeavor agreements is to defray the costs (1) associated with the production of the PGA Tour event and (2) associated with advertising. The cooperative endeavor agreements are based on the State's availability of funds and must be renewed on an annual basis.

Advertising

The Foundation expenses advertising as incurred. Advertising expense was \$77,466 and \$87,017 for the years ended September 30, 2019 and 2018, respectively, and is recorded in tournament expenses in the statements of activities.

Income Taxes

The Foundation is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income tax.

Contributed Services

Members of the Foundation's executive committee and other volunteers have made significant contributions of their time to assist in the Tournament's operation and related charitable programs. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

The Foundation also offers various rights and services during the Tournament to several of its suppliers and vendors in return for services and products provided by these suppliers such as use of rental cars, rental of equipment, airplane tickets, catering services, media, and other services and products. These non-cash transactions are recorded at the value of the service given up by the Foundation and totaled approximately \$523,015 and \$461,590 in tournament revenue and expense for the years ended September 30, 2019 and 2018, respectively. Media coverage is used as advertisement for the Tournament. In return, the Foundation provides suites, club packages, tickets, and passes to media providers and news stations. These non-cash transactions are recorded at the value of the service given up by the Foundation and totaled approximately \$94,445 and \$97,020 in tournament revenue and expense for the years ended September 30, 2019 and 2018, respectively.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense

The financial statements of the Foundation report certain categories of expenses that are attributable to more than one program or supporting function. The Foundation has two primary programs which make up a majority of the functional expense: the promotion of a PGA Tournament (Tournament) and Contributions to Children's Charities throughout the Gulf Coast Region (Contributions). The majority of expense are allocated based on actual time and effort. However, insurance is broken out based on functional use. Tournament insurance is under tournament program services, and office and property insurance is under general and administration expenses.

New Accounting Pronouncement

Effective July 1, 2018, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspect of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net assets have been combined into a single net asset class called net assets with donor restriction.
- The unrestricted net asset class has been renamed net assets without donor restriction
- The financial statements include a new disclosure about liquidity and availability of resources (Note 12).
- The statement of functional expense are allocated by both nature and function (Note 1).
- Investment gain/loss is now reported net of investment expense.

The changes have the following effect on net assets at October 1, 2018:

| | As Originally Presented | After Adoption of ASU 2016-14 |
|--------------------------------------|------------------------------------|--|
| Unrestricted net assets | \$ 4,108,951 | \$ - |
| Temporarily restricted net assets | - | - |
| Net assets without donor restriction | - | 4,108,951 |
| Net assets with donor restriction | - | - |

Expense amount classifications have changed in order to better reflect the changes in ASU No. 2016-14.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Financial Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. These amendments are effective for the fiscal year ending June 30, 2020. Early adoption with certain restrictions is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. This amendment is effective for the fiscal year ending June 30, 2020. The Foundation is currently evaluating the impact of the guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Foundation serves as a resource recipient for the fiscal year ending June 30, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, the Foundation has not yet determined the effect, if any, that the implementation of any such proposed or revised standards would have on its financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation has \$6,316,978 of financial assets available within one year of the statement of financial position date consisting of cash of \$1,252,949, accounts receivable of \$1,154,331, and investments of \$3,909,698. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Foundation has a goal to maintain financial assets, consisting of cash on hand, investments, and other liquid items to meet tournament operating expenses for at least one tournament, and believes it has appropriate available financial resources as of September 30, 2019. See Board designated funds in Note 3.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 –NET ASSETS

Net assets as of September 30 consist of:

| | 2019 | 2018 |
|---|--------------|--------------|
| Net assets without donor restrictions: | | |
| Undesignated | \$ 1,093,749 | \$ 734,151 |
| Board-designated for future tournament expenses | 3,374,800 | 3,374,800 |
| Total net assets without donor restrictions | \$ 4,468,549 | \$ 4,108,951 |

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

| | 2019 | 2018 |
|-------------------------------|------------|------------|
| Equipment | \$ 253,367 | \$ 253,367 |
| Leasehold improvements | 687,768 | 687,768 |
| Total cost | 941,135 | 941,135 |
| Less accumulated depreciation | (941,135) | (941,135) |
| Property and equipment, net | \$ - | \$ - |

There was no depreciation expense for the years ended September 30, 2019 and 2018, respectively.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The valuation of the Foundation's assets that are measured at fair value on a recurring basis at September 30, 2019, is as follows:

| | Fair Value Measurements at Reporting Date Using | | | |
|------------------------------------|---|---|---|--------------|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Fixed income | \$ 1,035,115 | \$ - | \$ - | \$ 1,035,115 |
| Equities | 1,652,133 | - | - | 1,652,133 |
| Mutual funds | 1,222,449 | - | - | 1,222,449 |
| Total investments at fair value | \$ 3,909,698 | \$ - | \$ - | \$ 3,909,698 |

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The valuation of the Foundation's assets that are measured at fair value on a recurring basis at September 30, 2018, is as follows:

| Fair Value Measurements at Reporting Date Using | | | | |
|---|---|---|---|--------------|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Fixed income | \$ 877,572 | \$ - | \$ - | \$ 877,572 |
| Equities | 1,607,574 | - | - | 1,607,574 |
| Mutual funds | 1,167,933 | - | - | 1,167,933 |
| Total investments at fair value | \$ 3,653,079 | \$ - | \$ - | \$ 3,653,079 |

Investment income is reported net of related expenses, such as custodial and investment advisory fees. Investment related expenses charged to investment income for the years ended September 30, 2019 and 2018 was \$36,913 and \$27,375, respectively.

NOTE 6 – AGENCY TRANSACTIONS

The Foundation, serving in an agency capacity, receives funds from various charity golf tournaments and other events throughout the year. Those funds are then distributed to the designated charity. The total amount received during the years ended September 30, 2019 and 2018, was approximately \$390,062 and \$428,383, respectively, of which \$390,062 and \$428,383, respectively, was distributed to the various charities.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Foundation and the Bayou District Foundation have common board members. The Foundation contributed \$93,610 and \$91,050 to the Bayou District Foundation during the years ended September 30, 2019 and 2018, respectively.

NOTE 8 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and investments. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2019 and 2018, the Foundation had cash in banks in excess of this amount totaling \$821,346, and \$4,762,321, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to such risk. The Foundation has no policy requiring collateral or other security to support its deposits.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CONCENTRATION OF CREDIT RISK (CONTINUED)

The Foundation has investment accounts that contain cash and securities. Balances are insured up to \$500,000 which includes a limit of \$250,000 for cash, by the Securities Investors Protection Corporation (SIPC). The Foundation had balances in excess of these amounts totaling \$3,650,548 and \$3,448,662 as of September 30, 2019 and 2018, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to such risks. The Foundation has no policy requiring collateral or other security to support its deposits.

As of September 30, 2019 and 2018, the Foundation had relationships with three entities that made up approximately 93% and 85%, respectively, of all receivables.

For the years ended September 30, 2019 and 2018, the Foundation had two entities that comprised 60% of total revenue.

NOTE 9– TOURNAMENT SPONSORSHIP AGREEMENT

The Foundation's primary source of revenue is the sale of tournament sponsorships and other rights. The sponsorship agreement with Zurich calls for, among other things, an annual sponsorship fee, guarantee of the purchase of a specified number of advertising units from the networks broadcasting the Tournament, and the right to have the Zurich name included in the Tournament name. Payments on behalf of Zurich were made to the Foundation totaling \$4,195,000 and \$4,170,000 for the years ended September 30, 2019 and 2018, respectively. The term of the agreement is effective through the 2026 Tournament. Included in deferred revenue in the statements of financial position was \$0 and \$4,200,000 at September 30, 2019 and 2018, respectively, related to Zurich sponsorship amounts for the subsequent year's tournament. The first payment from Zurich for the 2020 tournament was not received until November 2019, and thus no deferred revenue was recorded.

NOTE 10 – DONATIONS

The Foundation makes contributions to local and children's charities based on requests received during the year. During 2019 and 2018, the Foundation donated \$1,661,607 and \$1,602,310, respectively, to these charities, of which \$54,035 and \$46,360, respectively, were donations of tickets and other tournament packages which were raffled by the requesting organizations. The proceeds of the raffles were donated to charitable organizations. In addition to these donations, various organizations contributed \$50,000 directly to charities on behalf of the Foundation for each of the years ended September 30, 2019 and 2018.

NOTE 11– LEASE

The Foundation leases office space under a noncancellable operating lease which expired in June 2014. After June 2014, as long as the PGA Tour utilizes the current tournament site, the Foundation can renew its lease annually at the term of \$1 per year. The Foundation records in-kind rent income and expense in the amount of the original terms of the agreement of \$80,001 a year. Income and expense are recorded in other income and as rent expense on the financial statements for the year ended September 30, 2019 and 2018 .

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – RETIREMENT PLANS

The Foundation provides an elective deferral 403(b) retirement plan (the Plan). Upon hire, all full-time employees of the Foundation are eligible to make elective deferrals to the Plan. The Foundation does not provide any matching contributions to the Plan.

The Foundation also provides a Simplified Employee Pension Discretionary Retirement Plan (SEP) for full-time employees with over one year of service who are over the age of 21. The Foundation makes contributions to the SEP at a rate of 4% of an employee's gross salary per year and is limited to the first \$205,000 of income for each employee. No employee contribution is necessary to participate. Contributions related to the retirement plan for the years ended September 30, 2019 and 2018 were \$18,332 and \$32,310.

NOTE 13 –INCOME TAXES

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. As of December 31, 2019 and 2018, there have been no such amounts. In addition, Fore!Kids Foundation, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Accounting principles generally accepted in the United States of America require the Foundation's Management to evaluate tax positions taken by the Foundation and recognize a liability if the foundation has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Foundation's management has analyzed the tax positions taken, and has concluded that as of September 30, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 13, 2020, and determined that no events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER

For the Year Ended September 30, 2019

Agency Head Name: Steve Worthy, CEO

| PURPOSE | AMOUNT |
|--------------------------------|---------------|
| Salary | \$ - |
| Benefits-health insurance | - |
| Benefits-retirement | - |
| Deferred compensation | - |
| Workers comp | - |
| Benefits-life insurance | - |
| Benefits-long term disability | - |
| Benefits-Fica & Medicare | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Cell phone | - |
| Dues | - |
| Vehicle rental | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Unvouchered expenses | - |
| Meetings & conventions | - |
| Other | - |
| Total | \$ - |

There were no public funds used to compensate the CEO (agency head) during the year ended September 30, 2019.

See independent auditors' report.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF CHARITABLE GIVING
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PASS-THROUGH CONTRIBUTIONS

Zurich's Contribution

| | |
|-------------------------------------|----------------|
| CARE Awards: | |
| PlayBuild Nola | \$ 10,000 |
| The Emerge Center | 10,000 |
| Blessings in a Backpack | 46,000 |
| St. Bernard Project | 45,000 |
| St. Michael's | 100,000 |
| Toys-R-Us | 20,900 |
| Total Zurich's Contributions | 231,900 |

| | |
|-----------------------|---------|
| VOA Golf Tournament | 136,406 |
| The Mackel Foundation | 21,756 |

| | |
|---|-------------------|
| TOTAL PASS-THROUGH CONTRIBUTIONS | \$ 390,062 |
|---|-------------------|

CONTRIBUTIONS MADE ON BEHALF OF FORE!KIDS FOUNDATION

| | |
|----------------------------------|-----------|
| PGA TOUR - World Golf Foundation | \$ 50,000 |
|----------------------------------|-----------|

| | |
|---|------------------|
| TOTAL CONTRIBUTIONS MADE ON BEHALF OF FORE!KIDS FOUNDATION | \$ 50,000 |
|---|------------------|

FORE!KIDS FOUNDATION CONTRIBUTIONS

| | |
|--|---------------------|
| Miscellaneous Contributions | |
| Louisiana Hospitality Foundation - Champions Club | \$ 126,000 |
| Bayou District Foundation - Acme Venue | 93,610 |
| Young Life - Westbank | 50,500 |
| First Tee of Greater New Orleans - Eagles | 27,000 |
| Kelly Gibson Foundation Banquet | 18,000 |
| Ed Reed Eye of the Hurricane Foundation - Celeb Shootout | 10,000 |
| First Tee of Baton Rouge - WPA | 10,000 |
| Miscellaneous Contributions - under \$10,000 | 56,253 |
| Charity Golf Tournament/Events - under \$10,000 | 16,209 |
| In-Kind Donations | 54,035 |
| Accrued Donations | 1,200,000 |
| TOTAL FORE!KIDS FOUNDATION CONTRIBUTIONS | \$ 1,661,607 |

| | |
|-------------------------------------|---------------------|
| 2019 TOTAL CHARTIABLE GIVING | \$ 2,101,670 |
|-------------------------------------|---------------------|

See independent auditors' report.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF CONTRIBUTIONS
FROM 2018 PAID IN 2019

| <i>For the year ended September 30,</i> | 2019 |
|---|-------------|
| 50 Legs in 50 Days | \$ 12,000 |
| 826 New Orleans - Formerly Big Class | 5,000 |
| Apex Youth Center | 7,500 |
| A's and Aces | 7,500 |
| Boys & Girls Clubs of Greater Baton Rouge | 5,000 |
| Boys & Girls Clubs of Southeast Louisiana | 5,000 |
| Boys Hope Girls Hope of Greater New Orleans | 15,000 |
| Boys Town Louisiana | 5,000 |
| Brave Heart - Children in Need | 10,000 |
| Breakthrough New Orleans | 7,500 |
| Camp Challenge | 5,000 |
| CASA Jefferson | 5,000 |
| CASA New Orleans | 5,000 |
| Catholic Charities - Cornerstone Kids | 10,000 |
| Children's Advocacy Center - Hope House | 10,000 |
| Children's Bureau of New Orleans | 10,000 |
| Children's Hospital | 250,000 |
| Covenant House New Orleans | 7,500 |
| Educare New Orleans | 200,000 |
| Elevate New Orleans | 5,000 |
| Excite All Stars | 10,000 |
| FIRST Louisiana Mississippi | 7,500 |
| First Tee of Baton Rouge | 25,000 |
| First Tee of New Orleans | 75,000 |
| Foundation for Woman's | 7,500 |
| Friends Helping Kids | 10,000 |
| Golden Meadow Lions Club | 10,000 |
| Holy Rosary Academy & High School | 10,000 |
| James StoreHouse Louisiana | 7,500 |
| Jewish Children's Regional Service | 7,500 |
| JoJo's Hope | 5,000 |
| Lighthouse Louisiana | 25,000 |
| Live Oak Camp | 5,000 |
| Louisiana Pulmonary Disease Camp - Camp Pelican | 10,000 |
| Louisiana Restaurant Association Education Foundation | 5,000 |
| McMain's Children's Development Center | 5,000 |
| Muscular Dystrophy Association of Southeast Louisiana | 10,000 |
| | (Continued) |

See independent auditors' report.

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF CONTRIBUTIONS
FROM 2018 PAID IN 2019

| | |
|---|--------------|
| New Orleans Speech and Hearing Center | 10,000 |
| Ochsner Clinic Foundation | 10,000 |
| Our Lady of the Lake Children's Hospital | 100,000 |
| Plaquemines Care Center | 10,000 |
| Play Build Nola | 5,000 |
| Raintree Children and Family Services | 15,000 |
| Raphael Academy | 10,000 |
| St. Mary's Residential Training School | 13,000 |
| STAIR | 12,500 |
| Sunshine Kids | 10,000 |
| The Bright School for the Deaf | 10,000 |
| The Chartwell Center | 15,000 |
| The Emerge Center | 15,000 |
| The Roots of Music | 10,000 |
| Volunteers of America Greater New Orleans | 10,000 |
| YMCA of Greater New Orleans | 5,000 |
| Youth Empowerment Project | 10,000 |
| Youth Service Bureau of St. Tammany | 7,500 |
| | \$ 1,100,000 |
| | (Concluded) |

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Fore!Kids Foundation, Inc.
d/b/a Zurich Classic of New Orleans
Avondale, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans (a nonprofit organization) (the Foundation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2020.

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) to determine the 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 communication is not suitable for any other purpose.

Caru, Riggs & Ingram, L.L.C.

February 13, 2020

FORE!KIDS FOUNDATION, INC.
D/B/A ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

| | | | |
|--|------------|---------------|---------------|
| Type of auditors' report issued: | Unmodified | | |
| Internal control over financial reporting: | | | |
| Material weaknesses identified? | _____ yes | _____ X _____ | no |
| Significant deficiencies identified not considered to be material weaknesses? | _____ yes | _____ X _____ | none reported |
| Noncompliance material to financial statements noted? | _____ yes | _____ X _____ | no |

Management Letter

| | | | |
|---------------------------------|-----------|---------------|----|
| Was a management letter issued? | _____ yes | _____ X _____ | no |
|---------------------------------|-----------|---------------|----|

Section II - Financial Statement Findings

Current Year (September 30, 2019):

No findings material to the financial statements were noted during the audit.

Prior Year (September 30, 2018):

No findings material to the financial statements were noted during the audit.

Section III - Internal Control Findings

Current Year (September 30, 2019):

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

Prior Year (September 30, 2018):

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.