THE CLUB FOUNDATION

FINANCIAL STATEMENTS

Years Ended October 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors

THE CLUB FOUNDATION

We have audited the accompanying financial statements of The Club Foundation (the "Foundation") which comprise the statements of financial position as of October 31, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of October 31, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bethesda, Maryland
February 10, 2015

THE CLUB FOUNDATION

STATEMENTS OF FINANCIAL POSITION

October 31, 2014 and 2013

	2014	2013
A S S E T S		
Cash and Cash Equivalents	$ 91,736	$ 141,616
Investments in Marketable Securities	2,228,546	2,055,529
Pledges Receivable, Net	2,004,784	2,351,242
Prepaid Expenses and Other Assets	3,294	990
Investment in LLC	82,008	83,474
TOTAL ASSETS	$ 4,410,368	$ 4,632,851
L I A B I L I T I E S A N D N E T A S S E T S		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 108,435	$21,204
NET ASSETS		
Unrestricted Net Assets	2,773,945	3,021,746
Temporarily Restricted Net Assets	151,192	213,105
Permanently Restricted Net Assets	1,376,796	1,376,796
TOTAL NET ASSETS	4,301,933	4,611,647
TOTAL LIABILITIES AND NET ASSETS	$ 4,410,368	$ 4,632,851

THE CLUB FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended October 31, 2014 and 2013

	2014	2013
Change in Unrestricted Net Assets		
REVENUE		
Campaign Contributions	$ 419,232	$ 1,035,106
Contributions, Gifts and Grants	199,455	162,965
Special Events	204,342	170,995
CMAA In-Kind Contributions	41,662	47,969
Interest and Dividends	29,172	30,620
	893,863	1,447,655
Net Assets Released from Restrictions	132,163	69,305
TOTAL REVENUE	1,026,026	1,516,960
EXPENSES		
Grants and Scholarships	626,690	675,088
Fundraising	454,441	418,479
Special Events	206,968	174,774
General and Administrative	85,774	92,960
TOTAL EXPENSES	1,373,873	1,361,301
Change in Unrestricted Net Assets Before Non-Operating Items	(347,847)	155,658
Change in Fair Value of Investments	101,512	221,665
Investment in LLC Loss	(1,466)	(9,473)
CHANGE IN UNRESTRICTED NET ASSETS	(247,801)	367,850
Change in Temporarily Restricted Net Assets		
Campaign Contributions	12,366	43,250
Interest and Dividends	12,921	13,790
Change in Fair Value of Investments	44,963	99,827
Net Assets Released from Restrictions	(132,163)	(69,305)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(61,913)	87,562
CHANGE IN NET ASSETS	(309,714)	455,412
NET ASSETS, BEGINNING OF YEAR	4,611,647	4,156,235
NET ASSETS, END OF YEAR	$ 4,301,933	$ 4,611,647

THE CLUB FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended October 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (309,714)	$455,412
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Realized and Unrealized Gain on Investments	(146,475)	(321,492)
Investment in LLC Loss	1,466	9,473
Discount on Pledges Receivable	24,632	(55,394)
Decrease (Increase) in Operating Assets		
Pledges Receivable	321,826	(135,164)
Prepaid Expenses and Other Assets	(2,304)	(990)
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	87,231	(57,466)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(23,338)	(105,621)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(477,102)	(1,258,256)
Proceeds from Investments	450,560	1,485,667
NET CASH FLOWS FROM INVESTING ACTIVITIES	(26,542)	227,411
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(49,880)	121,790
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	141,616	19,826
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 91,736	$ 141,616

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and significant accounting policies

The Club Foundation (the "Foundation") was created in 1988 as the only 501(c)(3) organization focused solely on the club industry. The Foundation seeks to fund the life cycle of a club manager's career. Therefore, the Foundation provides dollars for the following five key areas: 1) Students, 2) Faculty, 3) Club Managers, 4) CMAA Chapters, and 5) Industry at Large. The Club Foundation has a donor base of constituents that seek to further the knowledge and skills of those individuals that operate country clubs, yacht clubs, city clubs and more.

Basis of accounting – The Foundation's financial statements have been prepared on the accrual basis of accounting.

Cash and cash equivalents – All highly liquid investments with a maturity of three months or less have been considered as cash equivalents on the financial statements.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair values based on quoted prices in active markets (all Level 1 measurements). To adjust the carrying values of these securities, the change in fair market value is charged or credited to the statement of activities and changes in net assets.

Contributions and pledges receivable – Unconditional promises to give are recognized as revenue in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable are carried at present value less an estimate made for uncollectible pledges based on a review of all outstanding promises. Management determines the allowance for uncollectible pledges by using the historical experience applied on an aging of pledges. Pledges are written-off when deemed uncollectible. The provision for uncollectible pledges, based on management's evaluation of the collection of pledges, at October 31, 2014 and 2013 was $39,000.

Investment in LLC – The Foundation owns a 30% membership interest in 1733 CMAA, LLC (the "LLC"). The investment is reported on the equity method.

Net assets – The Foundation follows the presentation requirements of ASC 958-205-05 and 958-10-15. These codifications require the Foundation to recognize any contributions as support in the period received or when an unconditional promise to give has been made. In addition, contributed services using specialized skills that would have been required to be purchased if not provided by donation are also recognized. Further, net assets are classified as permanently restricted (the net assets cannot be spent due to the donor permanently restricting the use of funds), temporarily restricted (the net assets can be expended but only in accordance with donor-imposed restrictions), or unrestricted (the net assets may be spent in accordance with management and Board wishes). As of October 31, 2014, the Foundation had unrestricted net assets of $2,773,945 ($3,021,746 as of October 31, 2013), temporarily restricted net assets of $151,192 ($213,105 as of October 31, 2013), and permanently restricted net assets of $1,376,796 ($1,376,796 as of October 31, 2013).

(1) Nature of activities and significant accounting policies (continued)

Income taxes – The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no unrelated business income for the years ended October 31, 2014 and 2013.

Accounting for Uncertainty in Income Taxes – The Foundation has adopted ASC Topic 740-10 which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The topic provides for a consistent approach in identifying and reporting uncertain tax provisions. It is management's belief that the Foundation does not hold any uncertain tax positions. The Foundation's returns are subject to examination by the IRS generally for three years after they were filed.

Fair value of financial instruments – The carrying amounts of certain assets and liabilities including cash, promises to give, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events – The Foundation has evaluated subsequent events through February 10, 2015, which is the date the financial statements were available to be issued.

(2) Pledges receivable

Pledges receivable are due to be collected in the following periods:

	October 31, 2014	October 31, 2013
Receivable in Less Than One Year	$ 932,996	$ 966,790
Receivable in One to Five Years	1,191,788	1,522,084
Receivable in More Than Five Years	-	1,250
Total Pledges Receivable	2,124,784	2,490,124
Discount to present value	(81,000)	(99,882)
Allowance for Uncollectible Pledges	(39,000)	(39,000)
Net Pledges Receivable	$ 2,004,784	$ 2,351,242

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate at October 31, 2014 was approximately 2.4% (2.4% in 2013).

(3) Related parties

Operating transactions with CMAA

CMAA receives and disburses funds on behalf of the Foundation. For the year ended October 31, 2014, the Foundation owed CMAA $91,562 (CMAA owed the Foundation $570 for the year ended October 31, 2013). During the years ended October 31, 2014 and 2013, the Foundation gave grants to CMAA in the amount of $189,000.

CMAA has an agreement with the Foundation that provides for, among other things, CMAA to contribute the value of shared building expenses, equipment usage, office services, and professional services. The fair value of those in-kind services was estimated to be $41,662 for the year ended October 31, 2014 ($47,969 for the year ended October 31, 2013).

For the year ended October 31, 2014, the Foundation contributed $22,941 to the 401(k) plan of CMAA relating to CMAA employees who spent time on the Foundation ($21,189 for the year ended October 31, 2013).

Investment in LLC and related transactions

During 2008, 1733 CMAA, LLC was formed as a limited liability company. The Foundation holds a 30% membership interest, along with two other members, CMAA and Premier Club Services, Inc. An asset of $239,622 was recorded by the Foundation to reflect the investment, which was a result of a contribution from CMAA. The Foundation's share of the LLC's net loss for the year ended October 31, 2014 was $1,466 (a $9,473 loss for the year ended October 31, 2013).

The LLC also rents office space to the Foundation under a twelve-year lease which expires in January 2020. Rent expense for the years ended October 31, 2014 and 2013 was $40,368.

(4) Investments and fair value measurements

FASB Codification Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation.

(4) Investments and fair value measurements (continued)

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.

Investments in marketable securities, at fair value, consisted of the following as of October 31, 2014 and 2013:

	October 31,	
	2014	2013
Cash and Cash Equivalents	$ 23,770	$ 22,681
Mutual Funds		
Fixed income	439,048	419,060
Equity	965,248	929,365
Total Mutual Funds	1,404,296	1,348,425
Common Stock		
Consumer	310,271	235,263
Technology	133,669	90,846
Financial	171,825	157,991
Transportation	-	5,981
Energy	60,941	63,948
Capital Equipment	57,828	61,531
Utilities	24,959	28,266
Industrial Commodities	27,413	26,947
Services	9,052	6,149
Non-financial	4,318	7,501
Other	204	-
Total Common Stock	800,480	684,423
Total Investments in Marketable Securities	$ 2,228,546	$ 2,055,529

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value.

	Investments at Fair Value as of October 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments in Marketable Securities	$ 2,228,546	$ -	$ -	$ 2,228,546
Total Investments at Fair Value	$ 2,228,546	$ -	$ -	$ 2,228,546

	Investments at Fair Value as of October 31, 2013			
	Level 1	Level 2	Level 3	Total
Investments in Marketable Securities	$ 2,055,529	$ -	$ -	$ 2,055,529
Total Investments at Fair Value	$ 2,055,529	$ -	$ -	$ 2,055,529

(4) Investments and fair value measurements (continued)

Investment income consisted of the following:

	Years Ended October 31, 2014	Years Ended October 31, 2013
Interest and Dividends	$ 42,093	$ 44,410
Realized Gains, Net	97,253	189,440
	139,346	233,850
Unrealized Gains, Net	49,222	132,052
Gross Investment Earnings	188,568	365,902
Investment Management Fees, Net	(15,730)	(21,530)
Investment Earnings, Net	$ 172,838	$ 344,372

(5) Commitments

As mentioned in Note 3, the Foundation leases office space under an agreement which expires in January 2020. Estimated future commitments are as follows:

Years Ending October 31,	
2015	$ 43,277
2016	44,576
2017	45,913
2018	47,290
2019	48,709
Later years	8,158
	$ 237,923

(6) Endowment funds

At October 31, 2014 and 2013, the Foundation's endowment consists of multiple donor-restricted funds established for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Governors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets (consisting of earnings on the permanently restricted amounts) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with its spending policy and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the 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 Foundation, and (7) the Foundation's investment policies.

Investment and Spending Policies

The Foundation has adopted investment and spending policies, approved by the Board of Governors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, the endowment assets are invested so as to achieve a reasonable rate of return relative to the broad equity and fixed income markets across the full business cycle. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The goal of the Foundation's spending policy is to provide a reasonable, predictable, and sustainable structure that supports the intentions of the original endowment. Total investment earnings, to the extent available, are approved for expenditure as part of the Foundation's annual budgetary process.

(6) Endowment funds (continued)

The changes in endowment funds for the years ended October 31, 2014 and 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Net Assets, October 31, 2012	$ -	$ 125,543	$ 1,376,796	$ 1,502,339
Campaign Contributions	-	43,250	-	43,250
Interest and Dividends	-	13,790	-	43,250
Change in Fair Market Value		99,827	-	43,250
Net Assets Released from Restrictions	-	(69,305)	-	(69,305)
Net Assets, October 31, 2013	-	213,105	1,376,796	1,589,901
Campaign Contributions	-	12,366	-	12,366
Interest and Dividends	-	12,921	-	12,921
Change in Fair Market Value	-	44,963	-	44,963
Net Assets Released from Restrictions	-	(132,163)	-	(132,163)
Net Assets, October 31, 2014	$ -	$ 151,192	$ 1,376,796	$ 1,527,988

(7) Conditional promise to give

The Foundation has a conditional promise to give in the amount of $100,000. This amount is not recorded as contribution revenue until donor conditions are met. If donor conditions are met each year, the promise to give is expected to be recognized as contribution revenue in the following periods:

Years Ending October 31,	
2016	$ 50,000
2017	50,000
	$ 100,000