THE CLUB FOUNDATION

FINANCIAL STATEMENTS

As of and for the Years Ended October 31, 2015 and 2014

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

THE CLUB FOUNDATION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Governors
The Club Foundation
Alexandria, Virginia

We have audited the accompanying financial statements of The Club Foundation (the "Foundation") which comprise the statement of financial position as of October 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Club Foundation for the year ended October 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2015.

Cherry Bekaert, LLP

Bethesda, Maryland
March 11, 2016

THE CLUB FOUNDATION
STATEMENTS OF FINANCIAL POSITION

OCTOBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 98,238	$ 91,736
Investments in marketable securities	2,287,477	2,228,546
Pledges receivable, net	1,328,135	2,004,784
Prepaid expenses and other assets	5,505	3,294
Investment in LLC	69,778	82,008
Total Assets	$ 3,789,133	$ 4,410,368
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 326,441	$ 108,435
Net Assets:		
Unrestricted net assets	1,969,393	2,773,945
Temporarily restricted net assets	116,503	151,192
Permanently restricted net assets	1,376,796	1,376,796
Total Net Assets	3,462,692	4,301,933
Total Liabilities and Net Assets	$ 3,789,133	$ 4,410,368

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

THE CLUB FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Campaign contributions	$ 65,534	$ -	$ -	$ 65,534	$ 419,232	$ 12,366	$ -	$ 431,598
Contributions, gifts, and grants	163,923	-	-	163,923	199,455	-	-	199,455
Special events	251,985	-	-	251,985	204,342	-	-	204,342
CMAA in-kind contributions	42,265	-	-	42,265	41,662	-	-	41,662
Interest and dividends	29,924	16,746	-	46,670	29,172	12,921	-	42,093
Realized and unrealized gain on investments	18,582	10,399	-	28,981	101,512	44,963	-	146,475
Equity share in LLC loss	(12,230)	-	-	(12,230)	(1,466)	-	-	(1,466)
Net assets released from restrictions	61,834	(61,834)	-	-	132,163	(132,163)	-	-
Total Support and Revenue	621,817	(34,689)	-	587,128	1,126,072	(61,913)	-	1,064,159
Expenses:								
Grants and scholarships	667,736	-	-	667,736	626,690	-	-	626,690
Fundraising	401,249	-	-	401,249	454,441	-	-	454,441
Special events	283,752	-	-	283,752	206,968	-	-	206,968
General and administrative	73,632	-	-	73,632	85,774	-	-	85,774
Total Expenses	1,426,369	-	-	1,426,369	1,373,873	-	-	1,373,873
Change in net assets	(804,552)	(34,689)	-	(839,241)	(247,801)	(61,913)	-	(309,714)
Net assets, beginning of year	2,773,945	151,192	1,376,796	4,301,933	3,021,746	213,105	1,376,796	4,611,647
Net Assets, end of year	$ 1,969,393	$ 116,503	$ 1,376,796	$ 3,462,692	$ 2,773,945	$ 151,192	$ 1,376,796	$ 4,301,933

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

THE CLUB FOUNDATION
STATEMENTS OF CASH FLOWS

YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (839,241)	$ (309,714)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized gain on investments	(28,981)	(146,475)
Equity share in LLC loss	12,230	1,466
Discount on pledges receivable	43,083	24,632
Decrease (increase) in operating assets:		
Pledges receivable	633,566	321,826
Prepaid expenses and other assets	(2,211)	(2,304)
Increase in operating liabilities:		
Accounts payable and accrued expenses	218,006	87,231
Net cash provided (used) by operating activities	36,452	(23,338)
Cash flows from investing activities:		
Purchase of investments	(569,722)	(477,102)
Proceeds from sale of investments	539,772	450,560
Net cash flows used by investing activities	(29,950)	(26,542)
Net change in cash and cash equivalents	6,502	(49,880)
Cash and cash equivalents, beginning of year	91,736	141,616
Cash and cash equivalents, end of year	$ 98,238	$ 91,736

Note 1—Nature of activities and summary of 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) Club Managers Association of America ("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 in marketable securities – 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 – The Foundation recognizes 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. 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, 2015 and 2014, was $39,000.

Investment in LLC – CMAA established 1733 CMAA, LLC (the "LLC") in January 2008 as a condition of refinancing the mortgage on its current headquarters and transferred the related building to the LLC. The Foundation owns a 30% membership interest in the LLC. The investment is reported on the equity method.

Net Assets – 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 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, 2015, the Foundation has unrestricted net assets of $1,969,393 ($2,773,945 as of October 31, 2014), temporarily restricted net assets of $116,503 ($151,192 as of October 31, 2014), and permanently restricted net assets of $1,376,796 ($1,376,796 as of October 31, 2014).

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, 2015 and 2014.

Note 1—Nature of activities and summary of significant accounting policies (continued)

Accounting for Uncertainty in Income Taxes – Management has evaluated the effect of guidance surrounding uncertain tax positions. It is management's belief that the Foundation does not hold any uncertain tax positions. The Foundation's income tax returns for the tax years 2013 and afterwards are subject to potential audit.

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 March 11, 2016, which is the date the financial statements were available to be issued.

Note 2—Pledges receivable

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

	October 31,	
	2015	**2014**
Receivable in less than one year	$ 307,310	$ 932,996
Receivable in one to five years	1,097,742	1,191,788
Total pledges receivable	1,405,052	2,124,784
Discount to present value	(37,917)	(81,000)
Allowance for uncollectible pledges	(39,000)	(39,000)
Net pledges receivable	$ 1,328,135	$ 2,004,784

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, 2015, was approximately 2.4% (2.4% in 2014).

Note 3—Related parties

Operating Transactions with CMAA – CMAA receives and disburses funds on behalf of the Foundation. For the year ended October 31, 2015, the Foundation owed CMAA $279,484 (the Foundation owed the CMAA $91,562 for the year ended October 31, 2014). During the year ended October 31, 2015, the Foundation gave grants to CMAA in the amount of $156,000 ($189,000 during the year ended October 31, 2014).

Note 3—Related parties (continued)

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 $42,265 for the year ended October 31, 2015 ($41,662 for the year ended October 31, 2014).

For the year ended October 31, 2015, the Foundation contributed $19,434 to the 401(k) plan of CMAA relating to CMAA employees who spent time on the Foundation activities ($22,941 for the year ended October 31, 2014).

Investment in LLC and Related Transactions – During 2008, 1733 CMAA, LLC (the "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 its initial investment, which was funded by a contribution from CMAA. Investment in LLC was $69,778 at October 31, 2015 ($82,008 at October 31, 2014). The Foundation's share of the LLC's net loss for the year ended October 31, 2015, was $12,230 (a $1,466 loss for the year ended October 31, 2014).

The LLC also rents office space to the Foundation under a twelve-year lease which expires in January 2020. Rent expense for the year ended October 31, 2015, was $43,277 ($40,368 for the year ended October 31, 2014).

Note 4—Investments and fair value measurements

Financial Accounting Standards Board ("FASB") Codification 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.

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.

Note 4—Investments and fair value measurements (continued)

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

	October 31, 2015	October 31, 2014
Cash and cash equivalents	$ 12,248	$ 23,770
Mutual funds		
Fixed income	447,078	439,048
Equity	998,529	965,248
Total mutual funds	1,445,607	1,404,296
Common stock		
Consumer	325,241	310,271
Technology	168,825	133,669
Financial	164,630	171,825
Energy	39,608	60,941
Capital equipment	66,864	57,828
Utilities	23,347	24,959
Industrial commodities	23,025	27,413
Services	16,513	9,052
Non-financial	1,569	4,318
Other	-	204
Total common stock	829,622	800,480
Total investments in marketable securities	$ 2,287,477	$ 2,228,546

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, 2015			
	Level 1	Level 2	Level 3	Total
Investments in marketable securities	$ 2,287,477	$ -	$ -	$ 2,287,477
Total investments at fair value	$ 2,287,477	$ -	$ -	$ 2,287,477

	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

Note 4—Investments and fair value measurements (continued)

Investment income consisted of the following:

	Years Ended October 31, 2015	Years Ended October 31, 2014
Interest and dividends	$ 46,670	$ 42,093
Realized gains, net	83,263	97,253
	129,933	139,346
Unrealized (loss) gains, net	(54,282)	49,222
Gross investment earnings	75,651	188,568
Investment management fees, net	(16,699)	(15,730)
Investment earnings, net	$ 58,952	$ 172,838

Note 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,	
2016	$ 44,576
2017	45,913
2018	47,290
2019	48,709
2020	8,158
	$ 194,646

Note 6—Endowment funds

At October 31, 2015 and 2014, 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.

Note 6—Endowment funds (continued)

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.

The changes in endowment funds for the years ended October 31, 2015 and 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
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
Campaign contributions	-	-	-	-
Interest and dividends	-	16,746	-	16,746
Change in fair market value	-	10,399	-	10,399
Net assets released from restrictions	-	(61,834)	-	(61,834)
Net assets, October 31, 2015	$ -	$ 116,503	$ 1,376,796	$ 1,493,299

Note 7—Conditional promise to give

The Foundation has received a conditional promise to give in the amount of $50,000. This amount will not be recorded as contribution revenue until donor conditions are met. If donor conditions are met, the promise to give is expected to be recognized as contribution revenue in fiscal year 2017.