

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Independent Auditors' Report

Non-Consolidated Financial Statements

December 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Directors of Professional Golfers' Association of Canada

Opinion

We have audited the non-consolidated financial statements of Professional Golfers' Association of Canada, (the Association), which comprise the non-consolidated statement of financial position as at December 31, 2020 and the non-consolidated statements of unrestricted operations and changes in unrestricted net assets, restricted operations and changes in restricted net assets, and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Association as at December 31, 2020, and results of its non-consolidated operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Vaughan LLP

CHARTERED PROFESSIONAL ACCOUNTANTS, Licensed Public Accountants
Vaughan, Ontario
April 1, 2021

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PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Non-Consolidated Statement of Financial Position

December 31, 2020

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 226,455	\$ 279,065
Short-term investments (note 3)	2,362,456	2,105,789
Accounts receivable	67,504	166,722
Prepaid expenses	53,526	52,006
	<u>2,709,941</u>	<u>2,603,582</u>
Restricted short-term investments (note 3)	1,303,725	694,211
Capital assets (note 4)	104,180	60,495
	<u>\$ 4,117,846</u>	<u>\$ 3,358,288</u>

Liabilities

Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 425,571	\$ 498,530
Insurance fees collected in advance	233,353	226,547
Provincial zones dues payable	129,757	33,700
Due to PGA of Canada Foundation (note 7)	90,262	78,595
Unearned membership dues and other fees	1,512,020	1,504,335
	<u>2,390,963</u>	<u>2,341,707</u>
Long-term debt (note 8)	30,000	-
	<u>2,420,963</u>	<u>2,341,707</u>

Net Assets

Unrestricted	288,978	261,875
Internally restricted	1,278,725	682,663
Invested in capital assets (note 5)	104,180	60,495
Externally restricted	25,000	11,548
	<u>1,696,883</u>	<u>1,016,581</u>
	<u>\$ 4,117,846</u>	<u>\$ 3,358,288</u>

ON BEHALF OF THE BOARD

Teejay Alderdice Teejay Alderdice, President

Gordon Percy Gordon Percy, Vice-President

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA
Non-Consolidated Statement of Unrestricted Operations and Changes in
Unrestricted Net Assets
year ended December 31, 2020

	2020	2019
Revenue		
Membership dues	\$ 1,581,049	\$ 1,369,588
Education	347,425	255,985
Marketing	192,665	92,670
Membership application and other fees	75,524	57,045
Other	54,127	53,409
Zone administration fees	29,303	29,092
Insurance premiums administration fees (note 9)	12,996	42,296
	<u>2,293,089</u>	<u>1,900,085</u>
Expenses		
Operating expenses (schedule)	1,673,294	1,799,591
Credit card and processing fees	29,372	30,024
	<u>1,702,666</u>	<u>1,829,615</u>
Excess of revenue over expenses before the following	590,423	70,470
Other items		
Tournament revenue	-	369,099
Tournament expenses	(7,291)	(386,153)
Branding events	2,634	(42,759)
Realized foreign exchange gain, net	8	4,741
Investment income and changes in fair market value (note 10)	51,685	52,266
	<u>47,036</u>	<u>(2,806)</u>
Excess of revenue over expenses before Scramble	637,459	67,664
Scramble		
Event revenue	713,473	676,112
Event expenses	(492,266)	(592,162)
	<u>221,207</u>	<u>83,950</u>
Excess of revenue over expenses	858,666	151,614
Unrestricted net assets, beginning	261,875	510,873
Transfer to Education Development Fund	(250,000)	(175,000)
Transfer from Eastburn Fund	37	42
Transfer to Member Initiatives and Branding Fund	(150,000)	(170,000)
Transfer to Sustainability Fund	(350,000)	(50,000)
Transfer to Invested in Capital Asset Fund (note 5)	(68,148)	(5,654)
Transfer to George Knudson Fund	(13,452)	-
Unrestricted net assets, ending	<u>\$ 288,978</u>	<u>\$ 261,875</u>

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA
Non-Consolidated Statement of Restricted Operations and Changes in Restricted Net Assets
year ended December 31, 2020

	Education Development Fund	Excess Insurance Premiums Fund (note 9)	Hall of Fame Fund	Eastburn Fund	Member Initiatives and Branding Fund	Championship and Events Fund	Sustainability Fund (note 1)	Subtotal Internally Restricted Funds	Invested in Capital Assets Fund (note 5)	Total Internally Restricted Funds	Externally Restricted George Knudson Fund (note 1)
Revenue											
Sponsorship	\$ 21,517	-	-	-	-	-	-	\$ 21,517	-	\$ 21,517	\$ -
Excess insurance premiums (note 9)	-	50,042	-	-	-	-	-	50,042	-	50,042	-
	21,517	50,042	-	-	-	-	-	71,559	-	71,559	-
Expenses											
Operational costs	134,292	-	1,911	-	23,400	8,325	57,533	225,461	-	225,461	-
Amortization of capital assets (note 5)	-	-	-	-	-	-	-	-	24,463	24,463	-
	134,292	-	1,911	-	23,400	8,325	57,533	225,461	24,463	249,924	-
Excess (deficiency) of revenue over expenses	(112,775)	50,042	(1,911)	-	(23,400)	(8,325)	(57,533)	(153,902)	(24,463)	(178,365)	-
Restricted net assets, beginning	244,244	10,000	19,607	10,068	191,079	118,924	88,742	682,664	60,495	743,159	11,548
Transfer from (to) unrestricted net assets	250,000	-	-	(37)	150,000	-	350,000	749,963	68,148	818,111	13,452
Transfer to internally restricted funds	-	(50,042)	-	-	-	-	-	(50,042)	-	(50,042)	-
Transfer from internally restricted funds	-	-	-	-	50,042	-	-	50,042	-	50,042	-
Restricted net assets, ending	\$ 381,469	10,000	17,696	10,031	367,721	110,599	381,209	\$ 1,278,725	104,180	\$ 1,382,905	\$ 25,000

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA
Non-Consolidated Statement of Restricted Operations and Changes in Restricted Net Assets, continued
year ended December 31, 2019

	Education Development Fund	Excess Insurance Premiums Fund (note 9)	Hall of Fame Fund	Eastburn Fund	Member Initiatives and Branding Fund	Championship and Events Fund	Sustainability Fund (note 1)	Subtotal Internally Restricted	Invested in Capital Assets Fund (note 5)	Total Internally Restricted	Externally Restricted George Knudson Fund (note 1)
Revenue											
Conference revenue	\$ 71,313	-	-	-	-	-	-	\$ 71,313	-	\$ 71,313	\$ -
Excess insurance premiums (note 9)	-	22,408	-	-	-	-	-	22,408	-	22,408	-
	71,313	22,408	-	-	-	-	-	93,721	-	93,721	-
Expenses											
Operational costs	267,069	-	1,619	-	84,961	-	17,447	371,096	-	371,096	-
Amortization of capital assets (note 5)	-	-	-	-	-	-	-	-	31,365	31,365	-
	267,069	-	1,619	-	84,961	-	17,447	371,096	31,365	402,461	-
Excess (deficiency) of revenue over expenses	(195,756)	22,408	(1,619)	-	(84,961)	-	(17,447)	(277,375)	(31,365)	(308,740)	-
Restricted net assets, beginning	265,000	10,000	21,226	10,110	83,631	118,924	56,189	565,080	86,206	651,286	11,548
Transfer from (to) unrestricted net assets	175,000	-	-	(42)	170,000	-	50,000	394,958	5,654	400,612	-
Transfer to internally restricted funds	-	(22,408)	-	-	-	-	-	(22,408)	-	(22,408)	-
Transfer from internally restricted funds	-	-	-	-	22,408	-	-	22,408	-	22,408	-
Restricted net assets, ending	\$ 244,244	10,000	19,607	10,068	191,078	118,924	88,742	\$ 682,663	60,495	\$ 743,158	\$ 11,548

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Non-Consolidated Statement of Cash Flows

year ended December 31, 2020

	2020	2019
Cash flows from operating activities		
Excess of revenue over expenses, unrestricted	\$ 858,666	\$ 151,614
Excess of expenses over revenue, restricted	(178,365)	(308,740)
Excess (deficiency) of revenue over expenses	680,301	(157,126)
Items not involving cash:		
Amortization of capital assets	24,463	31,365
Loss on disposal of capital assets	206	-
	24,669	31,365
Change in non-cash working capital:		
Accounts receivable	99,218	(93,382)
Prepaid expenses	(1,520)	15,122
Accounts payable and accrued liabilities	(72,958)	70,470
Insurance fees collected in advance	6,806	1,533
Provincial zone dues payable	96,057	(22,651)
Unearned membership dues and other fees	7,685	158,500
	840,258	3,831
Cash flows (used in) from investing activities		
Purchase of capital assets	(68,148)	(5,654)
Loss from disposal of capital assets	(206)	-
Purchase of unrestricted short-term investments	(2,362,456)	(2,105,789)
Proceeds from redemption of unrestricted short-term investments	2,105,789	2,423,372
Purchase of restricted short-term investments	(1,303,725)	(694,211)
Proceeds from redemption of restricted short-term investments	694,211	576,628
	(934,535)	194,346
Cash flows from (used in) financing activities		
Advances from PGA of Canada Foundation	30,000	-
Repayment of advances from PGA of Canada Foundation	(18,333)	(235,600)
Proceeds from long-term debt	30,000	-
	41,667	(235,600)
Decrease in cash and cash equivalents	(52,610)	(37,423)
Cash and cash equivalents, beginning	279,065	316,488
Cash and cash equivalents, ending	\$ 226,455	\$ 279,065
Supplemental cash flow information		
Government grant received	\$ 10,000	\$ -
Interest received from short-term investments	\$ 53,458	\$ 47,800

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Non-Consolidated Schedule of Operating Expenses

year ended December 31, 2020

	2020	2019
Bad debts	\$ 20,000	\$ -
Computer and internet	22,833	26,587
Database / website	11,517	27,035
Donations and gifts (note 11)	7,948	9,081
Education	38,234	95,331
Equipment rental & maintenance	719	540
Executive and board	71,063	170,301
Governance and development	2,906	1,400
Insurance	14,563	19,340
Professional fees	33,567	30,020
Marketing and communications	55,288	49,489
Membership support and recognition programs	115,741	64,840
Memberships and licenses	9,434	10,089
Office stationary and supplies	9,460	12,888
Postage and courier	1,594	2,765
Professional development	4,140	9,839
Remuneration (note 13)	1,148,366	1,127,053
Rent, taxes and utilities	52,709	52,743
Repairs and maintenance	8,587	15,447
Staff travel	22,353	46,766
Telecommunications	19,859	21,608
Translations	2,413	6,429
	\$ 1,673,294	\$ 1,799,591

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

Purpose of the Association

Founded in 1911, the Professional Golfers' Association of Canada ("the Association") is a not-for-profit organization incorporated on September 8, 1938 as a corporation without share capital under Letters Patent. The primary purpose of the Association is to provide Canada-wide services to the game of golf, including the conduct of national programs and various golf tournaments and is financed substantially by membership fees and sponsors. The Association is exempt from income taxes under the Canadian Income Tax Act.

1. Summary of significant accounting policies

Basis of presentation

Basis of accounting

The non-consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

Non-consolidation

The Association controls the Professional Golfers' Association of Canada Foundation ("PGA of Canada Foundation" or "the Foundation"). The Association appoints all of the Foundation's Board of Directors. The Foundation is a not-for-profit charity incorporated on April 22, 1994 as a corporation without share capital under Letters Patent. The primary purpose of the Foundation is to provide scholarships or other financial assistance to members or former members of the Association and their children, grandchildren or other dependents.

The Association does not consolidate its controlled not-for-profit organizations but has elected to disclose relevant information about the resources of the controlled organization as described in note 12.

Fund accounting

The accounts of the Association are maintained in accordance with the principles of fund accounting in order to observe the limitations and restrictions placed on the use of available resources. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with specified activities or objectives. For financial reporting purposes, the Association has combined funds with similar characteristics into 10 major fund groups as follows:

Education Development Fund

The Education Development Fund administers funds for the National Coaching and Certification Program ("NCCP") program development as well as for the development of other technical and professional development programs.

Excess Insurance Premiums Fund

The Excess Insurance Premiums Fund was established to administer the excess insurance premiums collected from members of the Association. Annually, excess premiums collected from the members, less a 5% administration fee are transferred from the general fund to this fund. If the balance in this Fund exceeds \$10,000, the excess is transferred to the Member Initiatives and Branding Fund.

Hall of Fame Fund

The Hall of Fame Fund was established to fund budgeted activities for honouring, celebrating and recognizing the contributions of the most dedicated Golf Professionals in the history of Canada to the game of golf.

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

1. Summary of significant accounting policies, continued

Fund accounting, continued

Eastburn Fund

The Eastburn Fund was established through a donation by the estate of Mr. E.B. Eastburn. It is intended to be used to enhance the library of golf materials of the Association. An annual transfer is made from the Eastburn Fund to the General Fund equal to the amortization on the library materials which are included in capital assets.

Member Initiatives and Branding Fund

The Member Initiatives and Branding Fund was established to fund future unplanned and unbudgeted activities of the Association that relate to the benefit of its membership and promotion of the PGA brand. The purpose of the Fund is to allow the Board of Directors access to funds in order to investigate, review and implement activities or programs that have a benefit to the members of the Association without affecting the day to day operations of the Association. Surplus insurance premiums collected from members in excess of \$10,000 are transferred to this Fund from the Excess Insurance Premiums Fund.

Championship and Events Fund

The Championship and Events Fund was established to sustain the activities and operations associated with championships and other events. As the majority of events hosted by the Association require up-front cash outlays before the events are held, this Fund acts as a cash reserve, allowing the Association to meet its cash outlays. The Fund also allows the Association to meet its unfunded obligations, related to championships and events that may otherwise prevent the championship or event from taking place.

Sustainability Fund

The Sustainability Fund was established to sustain the activities and operations of the Association in the event of unforeseen circumstances which could unfavourably impact the ability of the Association to continue to operate.

Invested in Capital Assets Fund

The Invested in Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Association's capital assets.

George Knudson Memorial Fund

The George Knudson Memorial Fund administers funds donated to the Association to establish and enhance programs for junior golfers in Canada. This is externally restricted.

Unrestricted Fund

The unrestricted fund accounts for current operations and programs as well as the Association's general operations.

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

1. Summary of significant accounting policies, continued

Revenue recognition

The Association follows the restricted fund method of accounting for contributions. Restricted contributions for which a corresponding restricted fund is presented is recognized as revenue of that fund in the current period. Restricted contributions for which no corresponding restricted fund is presented is recognized in the general fund in accordance with the deferral method. Unrestricted contributions are recognized as revenue of the general fund in the current period.

Membership dues, marketing revenue, insurance premiums administration fees, excess insurance premiums, and zone administration fees are accounted for as unearned revenue when they are collected, and are amortized to income over the membership term or sponsorship period.

Education, tournament and scramble revenue are accounted for as unearned revenue upon collection and are recognized as revenue when the workshop, tournament or scramble event takes place.

Member application fees, royalties, and other revenue are recognized when they are collected. Interest income is recognized on an accrual basis.

Contributed services

Volunteers contribute many hours each year to assist the Association in carrying out its service delivery activities. Due to the difficulty of determining their fair values, contributed services are not recognized in the non-consolidated financial statements.

Financial instruments

Measurement of financial instruments

Financial instruments are financial assets or liabilities of the Association where the Association has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

The Association initially measures its financial instruments at fair value, except for certain non-arm's length transactions that are measured at the exchange amount. Certain short-term investments in equity instruments that are quoted in an active market are subsequently measured at fair value, with changes in fair value being recognized in income at each statement of financial position date. The Association's financial instruments that are measured at cost or amortized cost, are cash and cash equivalents, certain short-term investments, accounts receivable, accounts payable and accrued liabilities, provincial zone dues payable, and due to PGA of Canada Foundation.

Fair value estimates, where applicable, are made at a specific point in time, based on relevant cash flows, market discount rates and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant matters of judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Impairment

Financial assets that are measured at cost or amortized cost are tested for impairment when there are indicators that the asset may be impaired. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the write-down and reversal, if any, are recognized in excess of revenue over expenses in the year in which these occur.

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

1. Summary of significant accounting policies, continued

Financial instruments, continued

Transaction costs

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

Cash and cash equivalents and short-term investments

Cash and cash equivalents consist of cash on hand, cheques on hand, bank balance and term deposits which have a term of less than three months at date of acquisition. Term deposits which have a term of more than three months but less than one year, at date of acquisition, are classified as short-term investments.

Capital assets

Capital assets are recorded at cost. Maintenance and repair costs are expensed as incurred. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	30% declining balance basis
Website and database	50% straight-line basis
Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Library materials	10% declining balance basis

Impairment of capital assets

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Impairment charges are not reversed if there is a subsequent increase in its fair value. Amortization methods, residual values, and useful lives are reassessed whenever events or changes in circumstances indicate that impairment may be present.

Foreign currency translation

Monetary assets and liabilities of the Association that are denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities, and other items recorded in income from transactions denominated in foreign currencies are translated at the rates of exchange in effect at the date of the transaction. Revenues and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case historical rates are applied. Exchange gains and losses on current items are included in the non-consolidated statement of unrestricted operations and changes in unrestricted net assets for the year.

Government assistance

The Association makes periodic applications for financial assistance under the following emergency funding by the government of Canada:

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

1. Summary of significant accounting policies, continued

Government assistance, continued

Temporary Wage Subsidy for Employers ("TWS"), a three-month measure that allows eligible employers to reduce the amount of payroll deductions payable to Canada Revenue Agency, which is calculated as 10% of the remuneration paid from March 18 to June 19, 2020 up to \$1,375 for each eligible employee to a maximum total of \$25,000 for each eligible employer.

When there is reasonable assurance that the government assistance will be realized, the funds are accounted for as a reduction of expenses when the related expenditures are incurred. The government assistance is recorded on an accrual basis when the Association has complied with and will continue to comply with all the conditions for such assistance.

As a qualifying not-for-profit organization, the Association has also accessed the Canada Emergency Business Account ("CEBA") loan. When funds from CEBA are received, the cash is recorded as a liability. When the loan forgiveness is available, provided the outstanding balance is repaid during the specified period, the liability will be reduced by the loan forgiveness amount and government grant will be recorded.

Measurement uncertainty

The preparation of the non-consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, useful life of capital assets, and provisions and contingencies. Actual results could differ from these estimates.

Recent pronouncements

The Accounting Standard Board ("AcSB") has issued the following amendment to existing standards that are not yet effective for the Association's non-consolidated financial statements for the year ended December 31, 2020. The Association has not yet completed its evaluation of the effect of adopting this amendment and the impact it may have on its non-consolidated financial statements.

Pronouncements that are not applicable to the Association's non-consolidated financial statements have been excluded from the summary below:

Section 3856, Financial Instruments

Amendments to Section 3856, *Financial Instruments*, were issued by the AcSB in December 2018 and are effective for annual periods beginning on or after January 1, 2021. Amendments provide new guidance on the accounting for financial instruments in a related party transaction by private enterprises and not-for-profit organizations and update the disclosure requirements about risks. Earlier application is permitted.

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

2. Cash and cash equivalents	2020	2019
Cash	\$ 226,455	\$ 129,065
Term deposits bearing interest rates at 1.65% per annum, maturing in January 2020	-	150,000
	\$ 226,455	\$ 279,065

3. Short-term investments	2020	2019
Term deposits bearing interest at rates varying between 0.60% to 0.70% per annum, maturing between January and June 2021	\$ 3,150,000	\$ 2,800,000
Marketable securities, measured at fair value	516,181	-
Total short-term investments	3,666,181	2,800,000
Less:		
Internally restricted short-term investments	1,278,725	682,663
Externally restricted short-term investments	25,000	11,548
Total unrestricted short-term investments	\$ 2,362,456	\$ 2,105,789
Total restricted short-term investments	\$ 1,303,725	\$ 694,211

The Association, from time to time, as approved by the Board of Directors, internally designates funds to be used for specific purposes. These internally restricted amounts are classified as specific restricted funds and reported in internally restricted net assets of the Association.

4. Capital assets	2020		2019	
	Cost	Accumulated Amortization/ Impairment	Net Carrying Amount	Net Carrying Amount
Computer equipment	\$ 364,825	353,538	\$ 11,287	\$ 11,269
Website and database	47,500	35,625	11,875	23,750
Equipment	98,028	92,328	5,700	7,125
Furniture and fixtures	148,689	112,846	35,843	17,976
Library materials	6,118	5,780	338	375
Leasehold improvements	98,148	59,011	39,137	-
	\$ 763,308	659,128	\$ 104,180	\$ 60,495

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

5. Invested in capital asset fund

	Balance, Beginning of Year	Transferred from Unrestricted Net Assets	Amortization/ Impairment	Balance, End of Year
Computer equipment	\$ 11,269	3,963	(3,945)	\$ 11,287
Website and database	23,750	-	(11,875)	11,875
Equipment	7,125	-	(1,425)	5,700
Furniture and fixtures	17,976	20,699	(2,832)	35,843
Library materials	375	-	(37)	338
Leasehold improvements	-	43,486	(4,349)	39,137
	\$ 60,495	68,148	(24,463)	\$ 104,180

6. Accounts payable and accrued liabilities

	2020	2019
Trade payable and accrued liabilities	\$ 180,844	\$ 312,209
Government remittances payable	244,727	186,321
	\$ 425,571	\$ 498,530

7. Due to Professional Golfers' Association of Canada Foundation

Due to Professional Golfers' Association of Canada Foundation ("the Foundation") represents donations and contributions made by the Association to execute any programs or activities of the Foundation, less any expenses borne by the Association on behalf of the Foundation.

Due to Professional Golfer's Association of Canada Foundation is unsecured, non-interest bearing and will be repaid within next fiscal year.

8. Long-term debt

As part of the emergency measures introduced by the federal government of Canada, the Association obtained the \$40,000 CEBA loan. Details of the loan are as follows:

- Non-interest bearing until December 31, 2022;
- No principal repayment required before December 31, 2022, voluntary principal repayments for the non-forgivable portion can be made at any time without fees or penalties;
- Loan forgiveness of \$10,000 is available, provided the non-forgivable portion of the loan is repaid prior to December 31, 2022;
- Unpaid principal balance as on January 1, 2023 will be converted to a three-year term loan, bearing interest at 5% per annum, with frequency of interest payment to be determined by the lender; and
- Unpaid principal balance must be repaid by no later than December 31, 2025.

The funds received under CEBA loan must only be used to pay eligible non-deferrable operating expenses such as payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and must not be used to fund any costs such as prepayment or refinancing of existing indebtedness, payments of dividends and distributions, and/ or increases in management compensation.

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

8. Long-term debt, continued

Assuming the CEBA loan is repaid by December 2022, the principal repayment of the long-term debt is \$30,000 in fiscal 2022.

9. Excess insurance premiums fund	2020	2019
Insurance fees collected	\$ 259,252	\$ 615,348
Insurance premiums expense	(196,214)	(550,644)
Insurance premiums administration fees	(12,996)	(42,296)
	\$ 50,042	\$ 22,408

10. Investment income and changes in fair market value	2020	2019
Interest income from short-term investments	\$ 35,479	\$ 52,266
Dividend income from marketable securities	5,898	-
Gain on sale of marketable securities	228	-
Unrealized gain on fair value of marketable securities	10,080	-
	\$ 51,685	\$ 52,266

11. Related party transaction

During the year, the Association paid \$7,948 (2019 - \$9,053) as donations to support the charitable activities of the Professional Golfers' Association of Canada Foundation. The above transaction is in the normal course of operations and is measured at the exchange amount which is the amount of consideration established and agreed to by both the related parties.

12. Controlled not-for-profit organizations

The Professional Golfers' Association of Canada Foundation is controlled by the Association since the management of the Association is closely involved in developing the policies of the Foundation and can influence their content.

Financial summaries of the Foundation as at December 31, 2020 and 2019 and for the years then ended are as follows:

	2020	2019
Statement of financial position		
Assets	\$ 584,462	\$ 557,595
Liabilities	\$ 1,501	\$ 267,458
Net assets:		
Unrestricted	\$ 208,614	\$ 198,248
Externally restricted	374,347	91,889
	\$ 582,961	\$ 290,137

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

12. Controlled not-for-profit organizations, continued

Statement of operations

Revenue	\$	22,162	\$	15,232
Expenses		11,796		21,977
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Excess (deficiency) of revenue over expenses	\$	10,366	\$	(6,745)

Statement of cash flows

Operating activities	\$	15,200	\$	336,403
Investing activities	\$	5,000	\$	(310,000)

The externally restricted net assets relate to the Ian Webb Fund and the Benevolent Fund.

The Ian Webb Fund was established to promote and foster ongoing education for members as well as candidates for membership of the Association. The fund offers scholarships of varying amounts to qualified and selected applicants who are engaged in continuing their education through full-time post secondary studies.

The Benevolent Fund was established to temporarily assist past and present PGA of Canada members, their families and apprentice professionals who find themselves in financial hardship. The Fund provides basics of life such as clothing, food and shelter, as well as financial assistance for health care services attributable to a mental or physical health condition, to those in need. The Foundation followed the same accounting policies as those of the Association.

13. Government assistance

Remuneration is recorded net of TWS of \$17,875 (2019 - \$Nil).

14. Commitments

The Association is committed to minimum annual lease payments under an operating lease for its premises during the next four years are as follows:

2021	\$	50,686
2022		51,865
2023		53,044
2024		54,223
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	\$	209,818

15. COVID- 19 and its impact on operations

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Association's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Association's operations.

Subsequent to WHO's declaration, the Association has continued servicing its members while maintaining the social distancing protocols issued by the Province of Ontario and the various municipalities, while continuing to ensure the health and safety of its employees and members. As a result of the pandemic, the Association has:

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

15. COVID- 19 and its impact on operations, continued

- (a) cancelled all its 2020 tournaments except for Scramble;
- (b) did not offer in-person workshops;
- (c) applied for and received government assistance under the TWS program; and
- (d) received relief under the CEBA.

The Association can not estimate the length and gravity of the COVID-19 outbreak. If the pandemic continues, it may have a material adverse effect on the Association's results of future operations and financial position in fiscal 2021. The Association is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.

16. Financial instruments risks and uncertainties

The main risks that the Association's financial instruments are exposed to are credit risk, interest rate risk, liquidity risk, and foreign exchange risk each of which is discussed below.

Credit risk

The financial instruments that potentially subject the Association to credit risk consist primarily of cash and cash equivalents, short-term investments, and accounts receivable.

The Association maintains cash and cash equivalents and short-term investments with Canadian chartered banks which exceed the federally insured limits and expose the Association to credit risk from concentration of cash and cash equivalents and short-term investments. The Association limits this risk by transacting with reputable financial institutions.

The Association is subject to risk of non-payment of accounts receivable, which is comprised primarily of funds committed by sponsors and membership fees.

The Association believes there is minimal risk associated with these amounts due to the diversity of its members. The Association minimizes exposure due to credit risk by establishing a process for credit reviews for each of its new members, continuously monitoring the credit risk and collectibility of its existing member base, and considering the impact of current economic conditions on the liquidity of its members and their ability to meet their financial obligations. As at December 31, 2020, management believes that the accounts receivable are fully collectible.

Interest rate risk

The Association is exposed to interest rate price risk to the extent that some cash and cash equivalents and short-term investments are at a fixed interest rate. The Association does not use derivative instruments to mitigate interest rate risk. If interest rates had increased or decreased by 1% at December 31, 2020, with all other variables remaining constant, net assets would have increased or decreased by approximately \$5,162.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities, provincial zones dues payable, long-term debt and due to PGA of Canada Foundation. The Association's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due.

PROFESSIONAL GOLFERS' ASSOCIATION OF CANADA

Notes to Non-Consolidated Financial Statements

December 31, 2020

16. Financial instruments risks and uncertainties, continued

Liquidity risk, continued

The Association manages liquidity risk by allocating funds to the Sustainability Fund, as described in note 1. As at December 31, 2020, the Association had unrestricted cash and cash equivalents of \$226,455 (2019 - \$279,065) and working capital of \$318,978 (2019 - \$261,875). Accordingly, the Association will be able to meet its current obligations and has minimal liquidity risk.

Market risk

Market risk is the risk that changes in market prices and interest rates will affect the Association's net earnings or the value of financial instruments. These risks are generally outside the control of the Association. The objective of the Association is to mitigate market risk exposures within acceptable limits, while maximizing returns. The Association mitigates its market risk by laddering its investments so a portion is maturing each year.

Foreign exchange risk

The Association incurs certain expenses transactions and holds cash in United States ("US") dollars and is therefore subject to gains or losses due to fluctuations in the US dollar relative to the Canadian dollar.

The Association is exposed to currency risk through the following financial instruments denominated in US dollars:

	2020		2019	
Cash and cash equivalents	US\$	8,226	US\$	3,707
Accounts payable and accrued liabilities	US\$	2,506	US\$	2,506

17. Comparative figures

The presentation of certain accounts of the previous year has been changed to conform to the presentation adopted for the current year. There is no impact on the the Association's excess of revenue over expenses for the prior year on account of these reclassifications.