

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**United States Golf Association**

December 31, 2020 and 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Executive Committee of the  
United States Golf Association

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of the United States Golf Association (the "USGA"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the USGA's preparation and fair presentation of the consolidated 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 USGA'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the United States Golf Association as of December 31, 2020 and 2019, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Iselin, New Jersey  
February 26, 2021

**United States Golf Association**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31,  
(in thousands)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,801	\$ 11,232
Investments, at fair value	755,186	394,867
Accounts receivable, net	9,297	6,824
Inventories	837	882
Prepaid expenses and deferred charges	9,972	11,385
Fixed assets, net	78,706	81,242
Other assets	3,520	3,061
	<hr/>	<hr/>
Total assets	<u>\$ 884,319</u>	<u>\$ 509,493</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 29,391	\$ 12,640
Deferred revenue	31,444	30,178
Deferred compensation	3,520	3,061
Defined benefit pension obligation, in excess of plan assets of \$56,620 and \$56,980, respectively	23,918	16,743
Other unfunded retirement benefit obligations	17,655	17,053
Bond payable, net of deferred issuance costs	44,603	44,588
Total liabilities	<hr/> <u>150,531</u>	<hr/> <u>124,263</u>
 Commitments (Note K)		
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated - operations	362,377	383,619
Board-designated - media rights reserve	370,000	-
Total net assets without donor restrictions	<hr/> <u>732,377</u>	<hr/> <u>383,619</u>
With donor restrictions	1,411	1,611
Total net assets	<hr/> <u>733,788</u>	<hr/> <u>385,230</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 884,319</u>	<u>\$ 509,493</u>

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

**United States Golf Association**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

Years ended December 31,  
(in thousands)

	<b>2020</b>	<b>2019</b>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenues</b>		
Media rights	\$ 89,769	\$ 113,594
Media rights, termination payment	323,440	-
Championship revenues	3,046	45,876
USGA members' program	14,861	16,556
Corporate sponsorships	19,493	22,440
Service revenues	9,758	8,114
Other revenues	32,460	4,331
Total revenues without donor restrictions	492,827	210,911
<b>Expenses</b>		
Program services:		
Championships	112,351	108,714
Golfer engagement	33,065	47,046
Governance	10,268	13,253
Golf courses and sustainability	9,338	13,986
Total program services	165,022	182,999
Supporting services:		
Administration and other costs	11,909	16,067
Total supporting services	11,909	16,067
Total expenses	176,931	199,066
Investment performance allocated to fund strategic initiatives	3,137	2,408
Increase in net assets from operating activities, before transfers	319,033	14,253
Transfer from operations to establish board-designated media rights reserve	(323,440)	-
(Decrease)/increase in net assets from operating activities, after transfers	(4,407)	14,253
<b>Nonoperating activities</b>		
Realized and unrealized gains from investments, net of fees and taxes of \$1,047 and \$1,331, respectively	32,218	51,699
Investment performance allocated to fund strategic initiatives	(3,137)	(2,408)
Interest expense	(1,047)	(1,039)
Interest and dividends	9,544	8,315
Increase in unfunded defined benefit pension obligation	(7,616)	(12,293)
Other components of net periodic benefit cost, other than service cost	396	11,435
Increase in other unfunded retirement benefit obligations	(633)	(2,247)
Transfer from operations to establish board - media rights fund	323,440	-
Total nonoperating activities	353,165	53,462
Increase in net assets without donor restrictions	348,758	67,715
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net assets released from restriction	(611)	(500)
Contributions and other	411	(113)
Decrease in net assets with donor restrictions	(200)	(613)
Change in net assets	348,558	67,102
Net assets, beginning of year	385,230	318,128
Net assets, end of year	\$ 733,788	\$ 385,230

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

**United States Golf Association**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended December 31,  
(In thousands)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 348,558	\$ 67,102
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains from investments, net of fees and taxes	(32,218)	(51,699)
Depreciation and amortization	4,784	5,707
Amortization of debt issuance costs	15	18
Loss on disposal of fixed assets	73	5,790
Effect of changes to unfunded postretirement benefit obligations	602	2,105
Changes in assets and liabilities:		
Accounts receivable	(2,473)	5,772
Inventories	45	358
Prepaid expenses and other deferred charges	1,413	397
Other assets	(459)	(548)
Accounts payable and accrued expenses	16,751	(1,137)
Defined benefit obligations, in excess of plan assets	7,175	1,632
Deferred revenue	1,266	(15,683)
Deferred compensation	459	548
Net cash provided by operating activities	<u>345,991</u>	<u>20,362</u>
<b>Cash flows from investing activities</b>		
Purchases of investments, including interest and dividends reinvested	(470,065)	(180,433)
Proceeds from sales of investments	141,964	164,841
Purchases of fixed assets	(2,321)	(1,359)
Net cash used in investing activities	<u>(330,422)</u>	<u>(16,951)</u>
Increase in cash and cash equivalents	15,569	3,411
<b>Cash and cash equivalents, beginning of year</b>	<u>11,232</u>	<u>7,821</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 26,801</u>	<u>\$ 11,232</u>
<b>Supplementary Information</b>		
Cash paid during the year for taxes	\$ 23	\$ 205
Cash paid during the year for interest	<u>\$ 1,022</u>	<u>\$ 1,021</u>

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

**United States Golf Association**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**  
**(in thousands)**

**NOTE A - NATURE OF OPERATIONS**

Founded in 1894, the United States Golf Association (the “USGA” or the “Association”) is a non-profit organization dedicated to championing and advancing the game globally.

The USGA inspires millions of golfers and fans by staging many of golf’s premier professional and amateur championships, including the U.S. Open and U.S. Women’s Open, which attract and showcase the world’s best players.

The USGA governs the sport, together with The R&A, via a global set of playing, equipment standards, handicapping, and amateur status rules. The World Handicap and Course Rating Systems are utilized worldwide, enabling all golfers around the globe to play and compete on an equitable basis. The USGA’s GHIN system is the leading global technology platform for handicap computation (under the World Handicap System), club and association member management, and tournament management. The USGA also partners with various industry organizations, most notably 59 Allied Golf Associations, and employs thousands of volunteers, to deliver its programs, education and services to golfers.

Through its Green Section, the USGA distributes innovative products and services to golf courses, clubs and golf associations that improve the quality of the on-course experience and reduce the consumption of critical resources by golf courses.

The USGA campus in Liberty Corner, New Jersey serves as the organization’s headquarters and is also home to the Association’s Research and Test Center, where science and innovation are fueling a healthy and sustainable game for the future and the USGA Golf Museum (the “Museum”), which is a part of the USGA, where we curate the world’s most comprehensive archive of golf artifacts and celebrate the game’s greatest champions and moments.

The USGA Foundation (the “Foundation”) was incorporated on March 15, 2019. The Foundation was created under Section 501(c)(3) of the Internal Revenue Code of 1986 as a supporting organization of the USGA. The Foundation’s primary objective is to provide financial support to the USGA as it carries out its programs to advance its charitable mission.

All of the USGA’s activities and investments are directed towards attaining its vision: A thriving, welcoming and sustainable game.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The consolidated financial statements of the USGA have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying consolidated financial statements include the Association and the Foundation. All intercompany activity has been eliminated. In the accompanying consolidated statements of financial position, assets and liabilities are presented in the order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.



United States Golf Association

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019  
(in thousands)

***Consolidated Financial Statement Presentation***

The classification of a not-for-profit organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets - with donor restrictions and without donor restrictions - be displayed in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a consolidated statement of activities.

These classes of net assets are defined as follows:

With Donor Restrictions

This class consists of net assets resulting from contributions and other inflows of assets whose use by the Association is limited by express donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association are classified as net assets with donor restrictions - perpetual in nature.

Without Donor Restrictions

*Undesignated - operations:* This class includes all funds that are expendable, at the discretion of the USGA for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose(s) by the Board of Directors.

*Board-designated - media rights reserve:* A board-designated media rights reserve was established in 2020 in the amount of \$370,000 to augment domestic media rights revenue under the new NBC agreement through 2026. In each calendar year starting in 2021, the USGA will release into operations an amount, which together with the NBC revenue will be no greater than the annual domestic media rights revenues that would have resulted if the FOX contract had remained in force. See also NOTE L for additional details.

***Fair Value Measurements***

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the USGA would use in pricing the USGA's assets or liabilities based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the USGA are traded. The USGA estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.

**United States Golf Association**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**  
**(in thousands)**

Level 2 - Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. The fair value of such investments is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

***Allowance for Doubtful Accounts***

The USGA provides an allowance for doubtful accounts for accounts receivable specifically identified by management for which collectability is uncertain. The allowance for doubtful accounts as of December 31, 2020 and 2019 totaled \$713 and \$677, respectively.

***Inventories***

Inventories consist of publications and merchandise, which are valued at the lower of cost or market, computed by the first-in, first-out method.

***Prepaid Expenses and Deferred Charges***

The USGA defers expenditures which have future economic benefits and records the expense in the year those benefits are realized. This primarily takes the form of expenditures associated with future years' championships. As of December 31, 2020 and 2019, the USGA has prepaid expenses and deferred charges of \$9,972 and \$11,385, respectively, related mainly to future championships.

***Fixed Assets***

Fixed assets are carried at historical cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method over their estimated useful lives, which range from 3 to 30 years. Expenditures for furniture, fixtures, and equipment in excess of five thousand dollars are capitalized.

The Museum collection includes graphics, paintings, books and golf memorabilia. The collection is held for public exhibition, education and research. No value is assigned to the collection in the accompanying consolidated statements of financial position.

***Impairment of Long-Lived Assets***

The USGA is required to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. Impairment charges of \$73 and \$5,790 pertaining to the abandonment of certain assets were recorded during the years ended December 31, 2020 and 2019, respectively.

***Concentrations***

Financial instruments that potentially subject the USGA to a concentration of credit risk consist primarily of funds at reputable financial institutions in good standing that exceed the Federal Deposit Insurance Corporation insurance limit. The USGA regularly evaluates its depository arrangements and at present, does not believe a risk of loss exists for account balances exceeding insurance limits.

United States Golf Association

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019  
(in thousands)

The USGA generates approximately 75% of its revenues from the U.S. Open. These revenues arise from various sources, including broadcast rights, ticket sales, hospitality sales, concessions, and merchandise sales.

**Operating Measure**

The USGA classifies its consolidated statement of activities into operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of the USGA's programs and supporting activities, along with transfers from the strategic investment fund in support of certain initiatives which are approved by the Executive Committee annually and also the establishment of and subsequent use of any board-designated funds. Nonoperating activities are limited to investment return (losses), and as it relates to the post-retirement plans, the other components of net periodic benefit cost other than service cost and the net amount not yet recognized as a component of net periodic benefit cost.

**Revenue Recognition**

The USGA adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), on January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- a. Step 1: Identify the contract(s) with a customer.
- b. Step 2: Identify the performance obligation(s) in the contract.
- c. Step 3: Determine the transaction price.
- d. Step 4: Allocate the transaction price to the performance obligations in the contract.
- e. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation(s).

The USGA recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the USGA expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The USGA has identified media rights, championship revenues, USGA Members Program, corporate sponsorship, service revenues and other revenues as revenue categories subject to ASC 606.

**Transactions with Multiple Elements**

The USGA has entered into certain revenue agreements, such as the licensing of broadcasting rights, sale of hospitality, and corporate partnership transactions that involve the delivery of multiple elements to the buyer. In accounting for these transactions, the USGA must evaluate whether there is objective evidence of fair value for each individual element delivered and, if so, account for each element of the transaction separately, based on relevant revenue recognition accounting policies. An allocation of revenue is made to all elements for which fair value is determinable.

**United States Golf Association**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**  
**(in thousands)**

***Contributed Services and In-Kind Contributions***

The Executive Committee, along with committee members and volunteers supporting our championships, donate time and services to the USGA. The volunteers pay most of their own transportation, lodging and other out-of-pocket expenses in support of program services. These services do not meet the conditions that would require recognition as revenue and expense, as required by U.S. GAAP.

In-kind contributions have been made to promote the USGA's programs and are reported in the consolidated financial statements at fair value determined at the date of the gift. During the years ended December 31, 2020 and 2019, \$3,136 and \$4,538, respectively, of in-kind contributions were received through arrangements with corporate partners and reported as revenue included in the corporate sponsorship line and as expense in the appropriate program services expense line applicable to the program area benefiting from the contribution, most notably championships.

***Income Taxes***

The USGA is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3), except for any income derived from unrelated business activity, which the USGA has and estimates a tax due from such of \$23 and \$200 for the years ended December 31, 2020 and 2019, respectively. In addition, the USGA has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The USGA has filed for and subsequently received income tax exemptions as well as filed both IRS forms 990 and 990-T in the jurisdiction where it is required to do so. The USGA believes it is no longer subject to income tax examinations for the fiscal years prior to 2016. The USGA has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, *Income Taxes*.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right of-use asset.

In June 2020, the FASB issued ASU 2020-05, which provided for a one-year deferral on the requirements of ASU 2016-02. This guidance is effective for the USGA's annual reporting period beginning January 1, 2022. Early adoption is permitted. The USGA is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

United States Golf Association

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019  
(in thousands)

**NOTE C - REVENUE RECOGNITION**

***Media Rights***

The USGA contracts with domestic and international entities to distribute coverage of the USGA championships via television broadcast and digital media. The primary domestic broadcast agreement runs through 2026. For international broadcasts, the USGA contracts with a number of entities around the world for either country specific or regional distribution. These contracts may cover multi-year periods or are renewed annually.

For the years ended December 31, 2020 and 2019, media rights recognized are comprised of the following:

	2020	2019
Domestic broadcast rights	\$ 72,501	\$ 81,172
International broadcast rights	17,268	32,422
Total	<u>\$ 89,769</u>	<u>\$ 113,594</u>

The USGA's performance obligations consist of the conduct of the championships to be broadcast as well as the provision of certain conditions at the host site of the championship to enable the production of a broadcast. The terms of media rights arrangements are such that rights are assigned to individual events which occur annually and are satisfied when the respective event to which they pertain occur. Accordingly, the USGA does not have any unsatisfied performance obligations as of year-end. The USGA characterizes the intellectual property associated with its open and amateur championships as functional IP and, accordingly, recognizes the revenue associated with the licensing of these rights at the point in time the championship occurs.

***Media Rights, Termination Payment***

In June 2020, the USGA entered into a new media rights agreement with NBCUniversal (NBCU) for 2020 through 2026 and concurrently terminated its agreement with FOX. The new contract with NBCU was at a lower value than that of the original FOX agreement, and as a result, FOX paid the USGA a lump-sum representing the present value of the remaining fees due under the original contract less the amounts to be paid by NBCU. In addition, the deferred portion of the original FOX signing bonus was accelerated and recognized in 2020. In total, the termination payment recognized for the year ended December 31, 2020 totaled \$323,440, as no future performance obligation was required by the USGA.

***Championship Revenues***

The USGA generates certain revenues associated with the conduct of its open championships and, to a lesser extent, certain amateur championships. These revenues consist of competitor entry fees, admissions, merchandise sold on-site at the championships, sales of corporate hospitality packages, corporate merchandise sales, royalties associated with the manufacture and sales of merchandise bearing the USGA marks, revenue from the sales of food and beverage and other miscellaneous revenues.

**United States Golf Association**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**  
(in thousands)

Disaggregated championship revenues for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Admissions	\$ -	\$ 26,138
Hospitality sales	-	3,859
Corporate merchandise	240	377
Championship merchandise	280	3,181
Royalties	1,471	3,368
Entry fees	166	6,840
Other, principally host club revenue	889	2,057
Food and beverage	-	56
	<u>\$ 3,046</u>	<u>\$ 45,876</u>

Sales of tickets to attend championships, corporate hospitality, and corporate merchandise are sold in fiscal periods prior to the championship event. All such revenues are deferred until the fiscal period in which the championship occurs. Competitor entry fees received in periods prior to the year of the championship are deferred and recognized in the year of the championship. On-site merchandise sales and revenue derived from sales of food and beverage are recognized in the period the transaction occurs. Royalties are recognized in the period the manufacture or sale of the item giving rise to the royalty occurs.

The championship revenues in 2020 were severely impacted by the COVID-19 pandemic due to the cancellation of 10 championships and the inability to have fans at the 4 events completed.

***USGA Members' Program***

Revenue from the USGA Members' Program is considered contribution revenue without donor restriction. It is recognized in the period in which it is received. The USGA and the Foundation also receive contributions aside from the funds raised through the USGA Members' Program. Those contributions may or may not have donor restrictions associated with them. Contributions are reported as net assets with donor restrictions if such gifts are restricted by the donor to a specific program and/or include an explicit or implied time restriction. The nature of net assets with donor restrictions as of December 31, 2020 includes multi-year pledges. Multi-year pledges totaling \$1,000 and \$1,500 as of December 31, 2020, and 2019, respectively, and are expected to be collected in full by 2022.

Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions on the consolidated statement of activities. Gifts whose donor-stipulated purposes are met in the same year as received are reported as net assets without donor restrictions.

***Corporate Sponsorship***

The USGA has five corporate partners who provide consideration in the form of cash and, in certain cases, value-in-kind services in exchange for marketing rights, advertising, and customer activations primarily centered around our championships and broadcasts. Contracts with corporate sponsors cover multi-year periods with the amount of consideration attributable to each period indicated in the respective contract. Each year's performance obligations relate to the unique championships and activation plan for a given year. The USGA's performance obligations are satisfied within each fiscal year and the contractual consideration for a given year is recognized once those performance obligations are fulfilled.

United States Golf Association

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019  
(in thousands)

**Service Revenues**

Service revenue includes Golf Handicap Information Network (“GHIN”) service revenue which provides a platform for Allied Golf Associations (“AGAs”) and their member clubs to manage their rosters of golfers who maintain a Handicap Index and provides Handicap Index calculation services, USGA Tournament Management software, reporting and other administrative functions. Service revenue also includes Course Consulting Service revenue where USGA agronomists visit golf facilities and make recommendations for best practices on turfgrass management and optimization of maintenance practices. Other service revenues include equipment standards testing services, where golf equipment manufacturers submit products for testing to ensure conformance with equipment standard rules, and rules of golf education seminars. The performance obligation for the GHIN service is the provision of the technology tools and calculation services. AGAs are invoiced monthly in arrears. Revenue is recognized when invoiced. Revenue for all other services is recognized when the service or deliverable is provided to the customer.

Service revenues by type for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
GHIN and handicap computation services	\$ 7,400	\$ 5,243
Course consulting services	953	1,404
Equipment standards testing	821	670
Handicap fees	250	-
Rules of golf seminars	334	797
	<u>\$ 9,758</u>	<u>\$ 8,114</u>

**Other Revenues**

Other revenues contain contributions without donor restrictions to the USGA or the Foundation and net assets released from restrictions, as mentioned above. In addition, other revenue captures a number of transactional revenue streams (miscellaneous publication sales, museum revenues, and shipping charges) that help to defray the cost of delivering mission-based programs and services. These revenues are recognized in the period the respective transaction occurs. There are no performance obligations beyond those satisfied at the point in time the transaction is processed. All of these revenues relate to the current fiscal period and there are no deferred revenues associated with the transactions classified as other revenues.

The USGA alerted the event cancellation insurance carrier of its intention to file a claim for losses arising from the rescheduling and alteration of the 2020 U.S. Open (including the cancellation of spectators and corporate hospitality) due to the COVID-19 pandemic. Based on the validity of the USGA’s claim and the estimated claim total value, the insurance carrier paid the USGA \$29,500 in 2020. These amounts have been recognized in the 2020 financial results, as they met the criteria of the contingency being estimatable and probable. Any future reimbursements will be recorded when such payments and/or proof of final settlement are received from the insurer.

**United States Golf Association**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**  
(in thousands)

**NOTE D - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The USGA's financial assets available as of December 31, 2020 and 2019 for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 26,801	\$ 11,232
Marketable investments	736,259	331,456
Accounts receivable, net, due within one year	<u>8,800</u>	<u>5,839</u>
 Total current financial assets, at end of year	 <u>771,860</u>	 <u>348,527</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	<u>(1,411)</u>	<u>(1,611)</u>
 Total financial assets available to management for general expenditure before amounts subject to the Board's approval	 770,449	 346,916
Less:		
Board-designated - media rights reserve	<u>(370,000)</u>	<u>-</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$ 400,449</u>	 <u>\$ 346,916</u>

As part of the USGA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Investments, as further discussed in Note F, include foreign and domestic common stock, publicly traded mutual funds, common collective trusts and alternative investments, most of which can be liquidated within 12 months. Certain alternative investment positions with redemption restrictions beyond one year have been excluded from the marketable investment balance presented above.

In 2020, the USGA Executive Committee ("EC") established a board-designated media rights reserve in the amount of \$370,000 to augment domestic media rights revenue under the new NBCU agreement through 2026. At the discretion of the EC, in each calendar year starting in 2021, the USGA may release into operations an amount, which together with the NBC revenue will be no greater than the annual domestic media rights revenues that would have resulted if the FOX contract had remained in force. The EC may at any time redesignate or repurpose such funds.



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**NOTE E - METHODS USED FOR ALLOCATION OF EXPENSES**

Administration and other costs include the executive, finance, development, and human resources functions. The legal department is allocated to program expenses based-upon estimated time spent on various matters. Expenses associated with the campus facilities, including depreciation, are allocated to program expenses based on headcount. Technology expenses, such as hardware and software that are attributable to specific program areas are charged directly to those programs. The remaining technology costs that broadly support the enterprise are categorized as supporting services. Insurance premiums are allocated to programs and supporting services based on revenues or assets depending on the type of policy or assigned to a program area specifically covered by the policy.

For the year ended December 31, 2020	Program Services				Supporting Services	Total
	Championships	Golfer Engagement	Governance	Golf Courses and Sustainability	Administration and Other Costs	
Salaries and benefits	\$ 26,881	\$ 7,383	\$ 6,730	\$ 4,801	\$ 6,170	\$ 51,965
Travel, meetings and corporate events	2,642	184	543	284	65	3,718
Grants and prize money	18,745	2,942	24	1,822	-	23,533
Insurance	2,075	303	157	87	9	2,631
Postage and freight	315	1,503	83	15	14	1,930
Consulting and professional services	14,021	4,359	1,167	1,789	2,647	23,983
Promotional	5,812	1	121	-	-	5,934
Supplies	6,426	2,931	146	71	50	9,624
Outside services	18,103	2	30	-	-	18,135
Rent and utilities	596	153	96	114	148	1,107
Technology	3,601	10,490	527	31	2,029	16,678
Depreciation and amortization	1,935	1,522	463	282	582	4,784
Other	11,199	1,292	181	42	195	12,909
<b>Total</b>	<b>\$ 112,351</b>	<b>\$ 33,065</b>	<b>\$ 10,268</b>	<b>\$ 9,338</b>	<b>\$ 11,909</b>	<b>\$ 176,931</b>

For the year ended December 31, 2019	Program Services				Supporting Services	Total
	Championships	Golfer Engagement	Governance	Golf Courses and Sustainability	Administration and Other Costs	
Salaries and benefits	\$ 23,325	\$ 11,168	\$ 7,799	\$ 7,553	\$ 6,094	\$ 55,939
Travel, meetings and corporate events	4,985	896	1,475	1,368	680	9,404
Grants and prize money	23,872	4,001	48	2,514	35	30,470
Insurance	726	235	759	76	165	1,961
Postage and freight	644	1,865	99	25	17	2,650
Consulting and professional services	13,256	6,796	1,475	1,422	3,319	26,268
Promotional	6,663	7	132	-	-	6,802
Supplies	3,771	2,668	117	63	169	6,788
Outside services	22,131	26	76	15	15	22,263
Rent and utilities	342	166	37	217	431	1,193
Technology	3,062	10,840	543	25	1,872	16,342
Depreciation and amortization	431	2,208	189	522	2,357	5,707
Other	5,506	6,170	504	186	913	13,279
<b>Total</b>	<b>\$ 108,714</b>	<b>\$ 47,046</b>	<b>\$ 13,253</b>	<b>\$ 13,986</b>	<b>\$ 16,067</b>	<b>\$ 199,066</b>

**NOTE F - INVESTMENTS**

The USGA's holdings in publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate fair value, as determined by quoted market prices as of the reporting date and can be liquidated daily. The valuation of such investments is based on Level 1 inputs within the hierarchy used in measuring fair value. Interests in mutual funds are carried at their stated unit values provided by the investment managers of the funds as of the reporting date. Each investment manager provides observable detailed information about the underlying securities, all of which are publicly traded securities (equities and debt securities).

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Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity interests. Given the absence of market quotations, the fair value of these investments is estimated using information provided to the USGA by investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for fund-of-funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both non-marketable and market-traded securities. Non-marketable securities may include equity in private companies, real estate, thinly traded securities and other investment vehicles. These investments may indirectly expose the USGA to the effects of securities lending, short sales of securities and trading in futures and forward contracts, options, swap contracts and other derivative products. While these financial instruments entail varying degrees of risk, the USGA's exposure with respect to each such investment is limited to its carrying amount (fair value as described in Note B) in each investment plus the USGA's commitment to provide additional funding. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. The USGA does not directly invest in the underlying securities of the investment funds and, due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from the reported values that are based on current conditions.

Investment valuations as of December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Level 1:		
Money market funds	\$ 12,663	\$ 4,179
U.S. equity mutual funds	152,517	132,461
International equity mutual funds	91,725	94,637
Fixed-income mutual funds	<u>479,354</u>	<u>100,179</u>
	736,259	331,456
Investments reported at fair value based on net asset value ("NAV")*	18,927	28,426
Investment redemption receivable	<u>-</u>	<u>34,985</u>
 Total investments	 <u>\$ 755,186</u>	 <u>\$ 394,867</u>

\* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table above are intended and permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying 2020 and 2019 consolidated statements of financial position.

During the year ended December 31, 2019, the USGA submitted a redemption request relative to an investment fund and recorded a receivable which was reflected as part of investments on the accompanying statement of financial position as of December 31, 2019. The redemption proceeds were collected in full in February 2020.

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**(in thousands)**

Investments whose fair values are estimated using the reported NAV or the equivalent per ownership interest as of December 31, 2020 and 2019 are summarized as follows:

<u>As of December 31, 2020</u>	<u>Number of Funds</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Long-equity <sup>(a)</sup>	1	\$ 12,414	\$ -	Quarterly	90 days
Absolute return hedge fund <sup>(b)</sup>	1	876	-	Quarterly	60 days
Long/short hedge fund of funds <sup>(c)</sup>	2	141	-	Quarterly	95 days
Multi-strategy hedge fund <sup>(d)</sup>	1	198	-	Annually	90 days
Infrastructure partnership <sup>(e)</sup>	1	2,880	793	N/A	N/A
Private equity fund of funds <sup>(f)</sup>	2	2,418	676	N/A	N/A
	<u>8</u>	<u>\$ 18,927</u>	<u>\$ 1,469</u>		

  

<u>As of December 31, 2019</u>	<u>Number of Funds</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Long-equity <sup>(a)</sup>	1	\$ 11,084	\$ -	Quarterly	90 days
Absolute return hedge fund <sup>(b)</sup>	1	9,081	-	Quarterly	60 days
Long/short hedge fund of funds <sup>(c)</sup>	2	1,644	-	Quarterly	95 days
Multi-strategy hedge fund <sup>(d)</sup>	2	207	-	Annually	90 days
Infrastructure partnership <sup>(e)</sup>	1	3,509	823	N/A	N/A
Private equity fund of funds <sup>(f)</sup>	3	2,901	676	N/A	N/A
	<u>10</u>	<u>\$ 28,426</u>	<u>\$ 1,499</u>		

- (a) This fund's objective is to generate long-term growth in assets by investing primarily in equity and equity-related securities. There is a one-year lock-up period on new invested capital.
- (b) The objective of this fund is to maximize risk-adjusted returns and add unique sources of risk and return to a traditional long-only investment program.
- (c) Long/short equity and absolute return fund of funds strategy including a diversified long/short fund that takes positions in under-valued publicly traded securities, commercial bank loan debt, mortgage backed securities, bonds, trade claims and derivative contracts in the U.S. and abroad.
- (d) Multi-strategy absolute return investment strategy fund.
- (e) This fund invests in assets associated with the provision of public goods or essential services that generate long-term cash flows in sectors such as transportation, energy and utilities. Redemptions of such funds are not presently permitted. Distributions require liquidation of underlying assets at the discretion of the respective fund manager or general partner.
- (f) Seeking long-term capital appreciation by investing in venture capital funds as a fund of funds and a diversified portfolio of private equity limited partnerships. Redemptions of such funds are not presently permitted. Distributions require liquidation of underlying assets at the discretion of the respective fund manager or general partner.

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The USGA has engaged an outside third-party to act as the USGA's Outsourced Chief Investment Officer ("OCIO"). The USGA Investment Committee has approved broad ranges by asset class that the OCIO will be able to invest in, based on their view of the market. The goal is to improve the long-term rate of return on investments by being able to react more quickly to changing market conditions.

**NOTE G - FIXED ASSETS, NET**

Fixed assets for the years ended December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Land	\$ 12,050	\$ 12,049
Land improvements	500	473
Buildings and improvements	94,848	94,584
Equipment and other	17,204	15,815
	<u>124,602</u>	<u>122,921</u>
Less: accumulated depreciation and amortization	<u>(45,896)</u>	<u>(41,679)</u>
	<u>\$ 78,706</u>	<u>\$ 81,242</u>

**NOTE H - DEFINED BENEFIT PENSION PLAN**

The USGA sponsors a noncontributory defined benefit pension plan covering employees hired prior to December 1, 2008. The plan's benefits are based on years of service and compensation. The defined benefit pension plan is administered by the USGA and its Retirement Committee, which discharge their duties in the interest of the plan participants and beneficiaries, while adhering to the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Both investment and actuarial professionals are engaged to advise and assist management with the calculation of benefit obligations and the valuation and monitoring of the related plan assets. The USGA has recorded an unfunded benefit obligation of \$23,918 and \$16,743 at December 31, 2020 and 2019, respectively. These amounts represent the excess of the projected benefit obligation over the fair value of the plan assets, adjusted for previously recorded pension cost liabilities. The plan was frozen to new participants effective November 30, 2008. After that date, no new participants were accepted into the plan. Additionally, benefit accruals for all participants were frozen effective April 30, 2019. After that date, no new participants were accepted into the plan, but participants continue to accrue interest credits.

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The following sets forth the USGA's defined benefit pension plan's funded status and the net amounts recognized for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 73,723	\$ 90,849
Service cost	-	774
Interest cost	2,340	3,669
Plan amendments	-	1,040
Curtailment gain	-	(11,614)
Settlement loss	428	411
Special termination benefits	-	11,765
Actuarial loss	9,238	8,262
Settlement payments	(3,243)	(29,874)
Benefits paid	<u>(1,948)</u>	<u>(1,559)</u>
 Projected benefit obligation, at end of year	 <u>\$ 80,538</u>	 <u>\$ 73,723</u>
	<u>2020</u>	<u>2019</u>
Change in plan assets:		
Fair value of plan assets at the beginning of the year	\$ 56,980	\$ 75,738
Actual return on plan assets	4,831	12,675
Settlement payments	(3,243)	(29,874)
Benefits paid	<u>(1,948)</u>	<u>(1,559)</u>
 Fair value of plan assets, at end of year	 <u>56,620</u>	 <u>56,980</u>
 Funded status, at end of year	 <u>\$ (23,918)</u>	 <u>\$ (16,743)</u>

As of December 31, 2020 and 2019, the accumulated benefit obligation of the defined benefit pension plan was \$80,538 and \$73,723, respectively.

During fiscal 2019, the USGA extended to certain long-tenured employees who met certain eligibility requirements, the option to participate in a voluntary retirement program. The cost of extending such benefits to the employees who opted to participate is reflected in the table above as special termination benefits. This amount also includes certain enhanced benefits for continuing plan participants.

To determine the expected long-term rate of return on plan assets, the USGA considers historical rates of return, the nature of the plan's investments and an expectation for the plan's investment strategies. The USGA calculates benefit costs for a given fiscal year based on assumptions developed at the end of the previous fiscal year. The USGA measures benefit obligations utilizing assumptions developed as of the measurement date.

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Assumptions utilized by the USGA to determine the benefit obligations as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.50%	3.25%
Expected long-term rate of return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

The USGA utilized the RP-2014 Employee and Healthy Annuitant tables adjusted back to 2006 and then projected forward with Scale MP-2019 and Scale MP-2018 for the computation of the benefit obligation for the years ended December 31, 2020 and 2019.

Assumptions utilized by the USGA to determine benefit costs for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	3.25%	4.25%
Expected long-term rate of return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	4.00%

The following table provides the components of the net periodic expense for the defined benefit pension plan for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Service cost	\$ -	\$ 774
Interest cost	2,340	3,669
Expected return on plan assets	(3,317)	(4,579)
Curtailement	-	(1,052)
Settlement	442	1,316
Special termination benefits	-	11,765
Recognized net actuarial loss	94	316
	<u>\$ (441)</u>	<u>\$ 12,209</u>
Net periodic (credit) expense		

Defined benefit pension plan assets are managed by the Retirement Committee, which operates under written policies relating to investment goals, targeted asset allocations, investment holdings, valuations, diversification and other relevant factors. Asset allocation targets are set to maximize returns and minimize volatility, with consideration being given to the long-term nature of the pension obligations. Each year, asset allocations are reviewed for adherence to targets and rebalanced periodically.

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The allocation of plan assets as of December 31, 2020 and 2019 was 57% and 61% in equity securities, 37% and 32% in fixed income, and 6% and 7% in a multi-alternative fund, respectively. Plan assets classified by ASC 820 levels for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Level 1:		
Mutual funds:		
Inflation-protected bond	\$ -	\$ 3,792
Intermediate-term bond	9,340	3,897
High-yield bond	3,814	5,280
Long-term bond	7,653	5,151
Small growth	3,907	5,339
Large value	4,732	5,351
Multi-alternative	3,327	3,956
Large growth	4,650	5,361
Small value	4,385	5,344
Foreign large blend	5,103	3,986
Diversified emerging markets	<u>3,747</u>	<u>4,073</u>
Total money market and mutual funds	50,658	51,530
Investments valued at NAV*:		
Common collective trusts:		
Government money market	-	86
U.S. common stock funds	<u>5,962</u>	<u>5,364</u>
Total common collective trusts	<u>5,962</u>	<u>5,450</u>
Total investments, at fair value	<u>\$ 56,620</u>	<u>\$ 56,980</u>

\* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table above are intended and permit reconciliation of the fair value hierarchy to the amounts presented in the reconciliation of the plan's funded status as of the reporting date.

Expected benefit payments to be made by the defined benefit pension plan in future years are as follows:

2021	\$ 3,850
2022	3,753
2023	3,082
2024	3,333
2025	3,298
2026 - 2030	22,596

**NOTE I - OTHER RETIREMENT BENEFIT PLANS**

The USGA sponsors an unfunded supplemental retirement plan covering certain members of senior management hired prior to December 1, 2008. The plan provides a minimum level of benefits based on years of service and also provides benefits that may be subject to certain limitations imposed by the Code.

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In addition, the USGA sponsors an unfunded post-retirement health plan covering employees hired prior to December 1, 2007. To qualify for benefits, employees must be at least 60 years of age and have at least 20 years of service at the time of their retirement. The plan requires a monthly premium to be paid by the retiree.

Both plans described above engage actuarial professionals to advise and assist management with the calculation of benefit obligations. The USGA has recorded an unfunded benefit obligation of \$17,655 and \$17,053 at December 31, 2020 and 2019, respectively, which represents the calculated benefit obligation for both the unfunded supplemental retirement plan and post-retirement health plan, adjusted for previously recorded liabilities. The USGA recorded an (increase) decrease to net assets without donor restrictions of \$603 and \$(2,247) for the years ended December 31, 2020 and 2019, respectively, in the accompanying consolidated statements of activities resulting from the changes in the unfunded retirement benefit obligation.

The USGA calculates benefit costs for a given fiscal year based on assumptions developed at the end of the previous fiscal year. The USGA measures benefit obligations utilizing assumptions developed at the measurement date.

Assumptions utilized by the USGA to determine the benefit costs for the supplemental retirement plan and the post-retirement health plan for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	3.25%	4.25%
Rate of compensation increase	0.00%*	4.00%

Assumptions utilized by the USGA to determine the benefit obligations for the supplemental retirement plan and the post-retirement health plan for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.50%	3.25%
Rate of compensation increase	0.00%*	4.00%

*\*Pursuant to terms of plan modification, future compensation increases are not contemplated.*

The USGA utilized the RP-2014 Employee and Healthy Annuitant tables adjusted back to 2006 and then projected forward with Scale MP-2019 and Scale MP-2018 for the computation of the benefit obligation for the years ended December 31, 2020 and 2019.

The health care cost trend rate used in measuring the projected benefit obligation for the post-retirement health plan is 5.25% for 2020, decreasing by 0.25% per year to 4.00% in 2025 for post-65 benefits and 7.50% for 2020, decreasing by 0.25% per year to 4.00% in 2035 for pre-65 benefits

Expected benefit payments to be made by both plans in the future are as follows:

2021	\$	859
2022		2,149
2023		815
2024		777
2025		766
2026 - 2030		4,134



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The USGA sponsors a 401(a) noncontributory defined contribution retirement plan covering employees hired after November 30, 2008. Employer contributions are based on a USGA-designated percentage of includible compensation, up to the IRS limit. The contribution to fund the plan is made after November 30, 2020, the end of the plan year. Employees must be employed on the last day of the plan year in order to be eligible for a contribution for the year. Contributions accrued by the USGA as of December 31, 2020 and 2019 totaled \$2,461 and \$2,116, respectively.

The USGA sponsors a supplementary noncontributory defined contribution retirement plan covering certain members of senior management whose retirement benefits under the qualified retirement plans are otherwise subject to certain limitations imposed by the IRS. Contributions accrued by the USGA as of December 31, 2020 and 2019 totaled \$212 and \$129, respectively.

The USGA sponsors a 403(b) tax deferred annuity plan. All employees may make voluntary contributions to the plan. Employees who work at least 20 hours per week are eligible to receive matching contributions. The USGA provides matching contributions of 50% of the first 6% of compensation contributed by the employee. Participants are fully vested in their contributions to the plan and are immediately eligible for employer matching contributions, which vest after two years of service. Contributions made by the USGA for the years ended December 31, 2020 and 2019 totaled \$929 and \$956, respectively.

The USGA sponsors a nonqualified deferred compensation plan under which a select group of management may make voluntary contributions that defer a portion of their compensation up to the maximum dollar amount under Section 457(e)(15) of the Code. The USGA does not match such contributions.

The assets of the plans are the legal assets of the USGA until they are distributed to the participants, and, therefore, the plan assets and a corresponding liability are reported on the consolidated statements of financial position. Plan assets, at fair value, at December 31, 2020 and 2019 totaled \$3,520 and \$3,061, respectively. Assets at December 31, 2020 and 2019 are classified within the FASB's fair value hierarchy in Level 1 and Level 3 in the amounts of \$2,899 and \$621 and \$2,462 and \$599, respectively. At December 31, 2019, the Level 1 assets were invested in mutual funds and the Level 3 assets were invested in insurance company guaranteed rate contracts.

The following tables present a reconciliation for Level 3 457(b) plan investments measured at fair value for the years ended December 31, 2020 and 2019:

Beginning balance, January 1, 2019	\$	569
Investment return		<u>30</u>
Ending balance, December 31, 2019		599
Investment return		<u>22</u>
Ending balance, December 31, 2020	\$	<u>621</u>

All plans mentioned in this footnote are administered by the USGA and the Retirement Committee, which discharge their duties in the interest of the plan participants and beneficiaries, while adhering to the requirements of ERISA.

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**NOTE J - BOND PAYABLE**

On January 19, 2017, the USGA entered into a financing arrangement of up to \$50,000 of tax-exempt bonds through the Public Finance Authority of Wisconsin to finance the USGA's campus renovation project. First Republic Bank ("First Republic") served as the sole investor in the Public Finance Authority Revenue Bond Series 2017 (the "Revenue Bond") pursuant to a private placement memorandum. The Revenue Bond is a draw-down agreement, in which First Republic will have the ability to purchase the principal amount of the Revenue Bond in installments. The Revenue Bond, which is secured by the revenues of the USGA, matures in 30 years, at which time all outstanding principal and unpaid interest will become due and payable. Interest on the outstanding principal will be charged at a fixed rate of 2.2% for the initial 15 years of the arrangement and at a rate equal to the 10-year treasury rate plus seventy basis points for the final 15 years of the arrangement, all payable on a monthly basis. Interest payments commenced on March 1, 2017. There will be interest-only payments for the first five years of the Revenue Bond. Payments of principal will commence on February 1, 2022 through the maturity date.

As part of the financing arrangement, the USGA is subject to various affirmative and negative covenants as specified in the executed bond agreement. For the years ended December 31, 2020 and 2019, the USGA made interest payments totaling \$1,022 and \$1,021, respectively, based on the amount of outstanding principal of the Revenue Bond. The following table sets forth the scheduled annual principal and interest payments to be made during each of the next five years and in total thereafter:

Year ending December 31,	Principal Payments	Interest Payments
2021	\$ -	\$ 1,005
2022	1,136	995
2023	1,387	965
2024	1,416	936
2025	1,450	902
Thereafter	39,646	14,348
Less: unamortized balance of deferred issuance costs	(432)	-
	\$ 44,603	\$ 19,151

**NOTE K - COMMITMENTS**

Several years in advance, the USGA contracts with clubs hosting USGA championships. These contracts generally obligate the USGA to pay rent or licensing fees in future years. Such future payments are scheduled as follows:

2021	\$ 2,825
2022	2,600
2023	600
2024	3,650
2025	2,600
Thereafter	1,875
Total	\$ 14,150

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**NOTE L - BOARD DESIGNATED MEDIA RIGHTS RESERVE**

In 2020, the USGA Executive Committee (EC) established a board-designated media rights reserve in the amount of \$370,000, comprised of the \$323,440 media rights termination payment plus other USGA net assets totaling \$46,560. At the discretion of the EC, in each calendar year starting in 2021, the USGA may release into operations an amount, which together with the NBC revenue will approximate the annual domestic media rights revenues that would have resulted had the FOX contract remained in force, less \$30 million in total over 2023, 2024, 2025 and 2026 to be earmarked and used as a transition reserve to protect against potential future media rights revenue reductions post-2026. The EC may at any time redesignate or repurpose such funds.

**NOTE M - SUBSEQUENT EVENTS**

The USGA evaluated events occurring after December 31, 2020, through February 26, 2021, which represents the date the consolidated financial statements were available to be issued. The USGA is not aware of any material subsequent events, which would require recognition or disclosure in the accompanying consolidated financial statements, except as follows:

Subsequent to year-end, the USGA entered into a term sheet with Pinehurst Resort for a 99-year lease for a parcel of land on which the USGA has agreed to build a test center, adjunct museum/visitors center and office space. In addition, the USGA is in the process of finalizing a related term sheet with Pinehurst Resort setting forth the terms of a commercial arrangement running through 2047. Both term sheets are connected with the incentive arrangements the USGA entered into in 2020 with North Carolina, Moore County and the Village of Pinehurst pursuant to which the State has agreed to provide the USGA with \$18 million in incentive payments contingent on the USGA constructing and using the buildings referenced above, employing a specified number of employees, and conducting a number of championships in Pinehurst through 2047. As of December 31, 2020, the USGA has not satisfied any of the financial requirements connected with the incentives.