

United States Golf Association

Financial Statements

Years Ended November 30, 2015 and 2014

United States Golf Association

Financial Statements
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United States Golf Association

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Independent Auditor's Report

Executive Committee
United States Golf Association
Far Hills, New Jersey

We have audited the accompanying financial statements of the United States Golf Association, which comprise the statements of financial position as of November 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Golf Association as of November 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

January 22, 2016

United States Golf Association

Statements of Financial Position (In thousands)

| <i>November 30,</i> | 2015 | 2014 |
|---|------------------|------------------|
| Assets | | |
| Cash | \$ 17,875 | \$ 32,852 |
| Investments, at fair value | 307,815 | 314,305 |
| Accounts receivable, net | 4,510 | 4,666 |
| Inventories | 172 | 542 |
| Prepaid expenses and deferred charges | 13,827 | 11,683 |
| Other assets | 2,107 | 2,058 |
| Fixed assets, net | 35,400 | 26,754 |
| Total Assets | \$381,706 | \$392,860 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 16,747 | \$ 12,873 |
| Deferred compensation | 2,107 | 2,058 |
| Defined benefit pension obligation in excess of plan assets | 7,371 | 4,824 |
| Other unfunded retirement benefit obligations | 13,197 | 11,943 |
| Deferred revenue | 40,426 | 51,840 |
| Total Liabilities | 79,848 | 83,538 |
| Commitments and Contingencies (Notes 5, 6 and 7) | | |
| Net Assets: | | |
| Unrestricted | 301,858 | 309,322 |
| Total Liabilities and Net Assets | \$381,706 | \$392,860 |

See accompanying notes to financial statements.

United States Golf Association

Statements of Activities (In thousands)

| <i>Year ended November 30,</i> | 2015 | 2014 |
|---|----------------|----------------|
| | (Unrestricted) | |
| Revenues: | | |
| Championships and team matches, including broadcast rights | \$161,935 | \$121,893 |
| USGA members program dues and member contributions | 16,670 | 16,899 |
| Corporate sponsorship and royalty fees | 10,817 | 12,757 |
| Golf Handicap and Information Network ("GHIN") services | 5,501 | 5,396 |
| Green Section services | 1,963 | 2,206 |
| Publications and merchandise, including licensing | 1,625 | 1,814 |
| Equipment testing | 1,498 | 1,591 |
| Member club and course dues | 862 | 878 |
| Rules of Golf seminars | 511 | 494 |
| Contributions | 400 | 431 |
| USGA Museum | 163 | 189 |
| Other program services | 208 | 157 |
| Total Revenues | 202,153 | 164,705 |
| Expenses: | | |
| Program services: | | |
| Championships and team matches, including broadcast activities | 105,956 | 88,610 |
| USGA members program, including development | 13,151 | 14,151 |
| GHIN services | 9,998 | 9,734 |
| Green Section, including turfgrass and environmental research grants | 8,267 | 7,223 |
| Marketing | 6,498 | 3,081 |
| Regional affairs, including Boatwright internship grants | 6,409 | 5,436 |
| Communications, including public information | 4,772 | 4,349 |
| Equipment standards and testing | 4,394 | 4,068 |
| USGA Museum | 4,159 | 4,451 |
| Rules of Golf, including rules education and amateur status | 3,434 | 2,979 |
| Public services, including charitable initiatives and grants | 2,114 | 2,581 |
| Handicap and course rating | 1,882 | 1,801 |
| Publications and merchandise, including licensing | 882 | 1,214 |
| Member club and course services | 575 | 618 |
| Total Program Services | 172,491 | 150,296 |
| Supporting services: | | |
| Management and general administration | 26,610 | 20,546 |
| Corporate sponsorship development | 2,687 | 3,937 |
| Total Expenses | 201,788 | 174,779 |
| Increase (Decrease) in Net Assets Before Interest and Dividends, Realized and Unrealized (Loss) Income From Investments, Increase in Unfunded Defined Benefit Pension Obligation and (Increase) Decrease in Other Unfunded Retirement Benefit Obligations | 365 | (10,074) |
| Interest and Dividends | 16,502 | 7,014 |
| Realized and Unrealized (Loss) Income From Investments, Net of Fees and Taxes of \$903 and \$818, Respectively | (23,132) | 6,746 |
| (Decrease) Increase in Net Assets Before Increase in Unfunded Defined Benefit Pension Obligation and (Increase) Decrease in Other Unfunded Retirement Benefit Obligations | (6,265) | 3,686 |
| Increase in Unfunded Defined Benefit Pension Obligation | (734) | (9,282) |
| (Increase) Decrease in Other Unfunded Retirement Benefit Obligations | (465) | 298 |
| Change in Net Assets | (7,464) | (5,298) |
| Net Assets, Beginning of Year | 309,322 | 314,620 |
| Net Assets, End of Year | \$301,858 | \$309,322 |

See accompanying notes to financial statements.

United States Golf Association

Statements of Cash Flows (In thousands)

| <i>Year ended November 30,</i> | 2015 | 2014 |
|---|------------------|------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ (7,464) | \$ (5,298) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Realized losses (gains) on sales of investments, at fair value | 209 | (13,820) |
| Unrealized loss on investments, at fair value | 22,784 | 7,074 |
| Depreciation and amortization | 4,617 | 2,669 |
| Realized gains on disposals of fixed assets, net | (11) | (14) |
| Effect of changes to unfunded postretirement benefit obligations | 1,199 | 8,984 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 156 | (521) |
| Inventories | 370 | (43) |
| Prepaid expenses and deferred charges | (2,144) | (1,080) |
| Other assets | (49) | (209) |
| Accounts payable and accrued expenses | 3,874 | 1,220 |
| Deferred compensation | 49 | 209 |
| Postretirement benefit obligations in excess of plan assets | 2,602 | 2,404 |
| Deferred revenue | (11,414) | 11,495 |
| Net Cash Provided By Operating Activities | 14,778 | 13,070 |
| Cash Flows From Investing Activities: | | |
| Purchases of investments, at fair value, including interest and dividends reinvested | (54,699) | (420,551) |
| Proceeds from sales of investments, at fair value | 38,196 | 412,991 |
| Purchases of fixed assets | (13,319) | (8,586) |
| Proceeds from disposals of fixed assets | 67 | 50 |
| Net Cash Used In Investing Activities | (29,755) | (16,096) |
| Net Decrease in Cash | (14,977) | (3,026) |
| Cash, Beginning of Year | 32,852 | 35,878 |
| Cash, End of Year | \$ 17,875 | \$ 32,852 |

See accompanying notes to financial statements.

United States Golf Association

Notes to Financial Statements (In thousands)

1. Nature of Operations

The United States Golf Association (the "USGA") promotes and conserves the best interests and the true spirit of the game of golf as embodied in its ancient and honorable traditions. It acts in the best interests of the game for the continued enjoyment for those who love and play it. The USGA conducts the U.S. Open, U.S. Women's Open and U.S. Senior Open, as well as 10 national amateur championships, two state team championships and international matches. Together with the R&A, the USGA governs the game worldwide, jointly administering the Rules of Golf, Rules of Amateur Status, Equipment Standards and World Amateur Golf Rankings. The USGA's reach is global with a working jurisdiction in the United States, its territories and Mexico, serving more than 25 million golfers and actively engaging 150 golf associations.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the USGA have been prepared on the accrual basis. In the 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.

(b) Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", 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 asset 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 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 that 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 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 products does not entail a significant degree of judgment.

Level 2 - Valuation based on:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets in inactive markets;
- inputs other than quoted prices that are observable for the asset; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

United States Golf Association

Notes to Financial Statements (In thousands)

(c) Allowance for Doubtful Accounts

The USGA provides an allowance for doubtful accounts for accounts receivable specifically identified by management for which collectibility is uncertain. The allowance for doubtful accounts for the years ended November 30, 2015 and 2014 was \$1,147 and \$875, respectively.

(d) 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.

(e) Deferred Charges

The USGA defers all costs associated with future years' championships until the year the championship is held. As of November 30, 2015 and 2014, the USGA has deferred \$7,444 and \$7,549, respectively, related to future championships.

(f) Fixed Assets

Fixed assets are carried at historical cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method over the estimated useful lives, which range from 3 to 40 years. Expenditures for furniture, fixtures, and equipment in excess of five thousand dollars are capitalized.

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

(g) Concentrations

Financial instruments which potentially subject the USGA to concentration of credit risk consist primarily of funds at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limit.

The USGA generates approximately 70% 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.

(h) Revenue Recognition

Revenues from events, including revenues from broadcasting, ticket sales, and hospitality sales, are recognized in the year the event occurs. Cash collected in advance of the event is recognized as deferred revenue. Fees received in advance for memberships are recognized as revenue in the period(s) in which the fees are earned. Certain broadcast revenues are derived from multi-year contracts that include both variable and fixed components. Signing bonuses received by the USGA for entering into multi-year contracts, primarily broadcast rights, are recognized ratably over the term of the respective agreement.

(i) 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 Financial Statements (In thousands)

(j) Allocation of Expenses

Management and general administration includes executive, finance and accounting, human resources, and information technology. Certain expenses are allocated to program services based upon time expended by employees and utilization of facilities.

(k) Contributed Services

The Executive Committee and more than 1,300 volunteers donate time and services to the USGA. The volunteers pay most of their own transportation, lodging and other out-of-pocket expenses. These services do not meet the conditions that would require recognition as revenue and expense as stated in ASC 958, "Not for Profit Entities."

(l) Income Taxes

The USGA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except for any income derived from unrelated business activity. Taxes of \$235 and \$118 were paid on unrelated business income in 2015 and 2014, 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 received income tax exemptions as well as IRS forms 990 and 990-T in the jurisdictions where they are required to do so. For the years ended November 30, 2015 and 2014, there were no interest or penalties incurred. As of November 30, 2015, the USGA believes it is no longer subject to income tax examinations for the fiscal years prior to 2012. Under ASC 740, "Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The USGA believes it has not taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits.

(m) Use of Estimates

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

(n) Reclassifications

Certain prior year balances have been reclassified to conform with the current year financial statement presentation.

(o) New Accounting Pronouncement

In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which seeks to eliminate diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. The standard is effective for annual periods after December 15, 2015. Management is currently determining the impact that adoption of this guidance will have on the USGA's financial results.

United States Golf Association

Notes to Financial Statements (In thousands)

3. Investments, at Fair Value

The USGA's holdings in publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value as determined by quoted market prices. The above-mentioned investments 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 private mutual funds are carried at their stated unit values provided by the investment managers of the funds. Each investment manager provides observable detailed information about the underlying securities, all of which are publicly-traded securities (equities and debt securities). Given the fact these private mutual funds do not have quoted market prices and are not actively traded, their valuation is based on Level 2 inputs within the hierarchy used in measuring fair value.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value 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 nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities and other investment vehicles. The 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 above) 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 at November 30, 2015 and 2014 are summarized as follows:

| <i>November 30,</i> | 2015 | 2014 |
|--|-----------|-----------|
| Level 1: | | |
| Money market funds | \$ 23,715 | \$ 15,255 |
| U.S. equity mutual funds | 58,545 | 61,909 |
| International equity mutual funds | 77,852 | 82,337 |
| Fixed income mutual funds | 18,858 | 18,846 |
| Real assets mutual funds | 24,770 | 25,468 |
| Level 2: | | |
| Fixed income commingled fund | 9,207 | 9,411 |
| Institutional senior loan fund | 15,466 | 15,585 |
| Level 3: | | |
| Alternative investments and private equity | 79,402 | 85,494 |
| Fair value at November 30 | \$307,815 | \$314,305 |

United States Golf Association

Notes to Financial Statements (In thousands)

The following tables set forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the years ended November 30, 2015 and 2014:

| <i>Description</i> | Balance at November 30, 2014 | Purchases | Sales | Realized and Unrealized Gains, Net | Balance at November 30, 2015 |
|--|------------------------------------|-----------|------------|--|------------------------------------|
| Alternative investments and private equity | \$85,494 | \$8,000 | \$(17,210) | \$3,118 | \$79,402 |

| <i>Description</i> | Balance at November 30, 2013 | Purchases | Sales | Realized and Unrealized Gains, Net | Balance at November 30, 2014 |
|--|------------------------------------|-----------|------------|--|------------------------------------|
| Alternative investments and private equity | \$95,204 | \$432 | \$(14,882) | \$4,740 | \$85,494 |

Investments whose fair values are estimated using reported net asset value ("NAV") or the equivalent are summarized as follows:

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|------------|-------------------------|-------------------------|-----------------------------|
| Emerging market fund | \$ 1,572 | \$ - | Quarterly | 60 days |
| Absolute return hedge fund | 13,330 | - | Quarterly | 65 days |
| Absolute return hedge fund | 5,756 | - | Quarterly | 60 days |
| Absolute return hedge fund | 7,864 | - | Quarterly | 60 days |
| Long/short hedge fund of funds | 31,727 | - | Quarterly | 95 days |
| Multi-strategy hedge fund | 460 | - | Annually | 90 days |
| Infrastructure partnership ^(a) | 7,183 | 1,266 | - | - |
| Private equity fund of funds ^(a) | 11,510 | 1,784 | - | - |
| | \$79,402 | \$3,050 | | |

^(a) Redemption not permitted. Distributions require liquidation of underlying assets.

Investments designated as mutual funds are valued using the reported NAV or the equivalent, are redeemable on a daily basis, and have no unfunded commitments.

The USGA has engaged an outside third party to act as the USGA's outsourced Chief Investment Officer ("CIO"). The USGA Investment Committee has approved broad ranges by asset class that the CIO 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.

United States Golf Association

Notes to Financial Statements (In thousands)

4. Fixed Assets, Net

Fixed assets at November 30, 2015 and 2014 are summarized as follows:

| <i>November 30,</i> | 2015 | 2014 |
|---|-----------|-----------|
| Land and improvements | \$ 2,193 | \$ 2,185 |
| Buildings and improvements | 53,154 | 48,979 |
| Equipment and other | 18,484 | 8,680 |
| | 73,831 | 59,844 |
| Accumulated depreciation and amortization | (39,986) | (35,635) |
| Construction-in-progress | 1,555 | 2,545 |
| | \$ 35,400 | \$ 26,754 |

In 2015, the USGA began work on a multi-year campus renovation project as well as several technology upgrades and enhancements. During 2015 the HVAC and Nicklaus wing were completed. 2015 construction-in-progress includes costs for the campus renovation only. All multi-year projects are approved by the full USGA Executive Committee.

5. 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 Compensation 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 \$7,371 and \$4,824 at November 30, 2015 and 2014, 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 USGA recorded decreases to unrestricted plan net assets of \$734 and \$9,282 for the years ended November 30, 2015 and 2014, respectively, in the respective accompanying statements of activities resulting from the changes in the unfunded pension obligation.

United States Golf Association

Notes to Financial Statements (In thousands)

The following sets forth the USGA's defined benefit pension plan's funded status and the net amounts recognized at November 30, 2015 and 2014:

| <i>November 30,</i> | 2015 | 2014 |
|---|----------|----------|
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | \$79,270 | \$62,379 |
| Service cost | 3,215 | 2,924 |
| Interest cost | 3,112 | 3,051 |
| Actuarial (gain) loss | (3,484) | 13,021 |
| Benefits paid | (1,838) | (2,105) |
| Projected benefit obligation at end of year | \$80,275 | \$79,270 |

| <i>November 30,</i> | 2015 | 2014 |
|--|------------|------------|
| Change in plan assets: | | |
| Fair value of plan assets at the beginning of the year | \$74,446 | \$68,343 |
| Actual return on plan assets | 296 | 8,208 |
| Benefits paid | (1,838) | (2,105) |
| Fair value of plan assets at end of year | \$72,904 | \$74,446 |
| Funded status at end of year | \$ (7,371) | \$ (4,824) |

For the years ended November 30, 2015 and 2014, the accumulated benefit obligation of the defined benefit pension plan was \$66,056 and \$63,758, respectively.

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 at the end of the current fiscal year.

Assumptions utilized by the USGA to determine the benefit obligations as of November 30, 2015 and 2014 were as follows:

| <i>November 30,</i> | 2015 | 2014 |
|--|-------|-------|
| Discount rate | 4.25% | 4.00% |
| Expected long-term rate of return on plan assets | 6.75 | 6.75 |
| Rate of compensation increase | 4.00 | 4.00 |

United States Golf Association

Notes to Financial Statements (In thousands)

Assumptions utilized by the USGA to determine benefit costs as of November 30, 2015 and 2014 were as follows:

| <i>November 30,</i> | 2015 | 2014 |
|--|-------|-------|
| Discount rate | 4.00% | 5.00% |
| Expected long-term rate of return on plan assets | 6.75 | 6.75 |
| Rate of compensation increase | 4.50 | 4.50 |

The following table provides the components of the net periodic expense for the defined benefit pension plan for the years ended November 30, 2015 and 2014:

| <i>November 30,</i> | 2015 | 2014 |
|--|-----------------|-----------------|
| Service cost | \$ 3,216 | \$ 2,924 |
| Interest cost | 3,112 | 3,051 |
| Expected return on plan assets | (4,927) | (4,522) |
| Amortization of prior service costs | - | 53 |
| Recognized net actuarial loss | 412 | - |
| Net periodic expense for the year | \$ 1,813 | \$ 1,506 |

Defined benefit pension plan assets are managed by the Investment 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. During the year, asset allocations are reviewed for adherence to targets and rebalanced periodically. Pension plan asset allocations by asset category have remained consistent in both 2015 and 2014 with 50% of the assets being invested in equity securities, 40% in fixed income and the remaining 10% in real estate. Plan assets as of November 30, 2015 and 2014, classified by ASC 820 levels, are as follows:

| <i>November 30,</i> | 2015 | 2014 |
|---------------------------|-----------------|-----------------|
| Level 1: | | |
| International equity fund | \$ 4,692 | \$ 4,681 |
| Level 2: | | |
| Bonds funds | 27,235 | 29,096 |
| U.S. common stock funds | 30,913 | 30,218 |
| International equity fund | 2,591 | 2,477 |
| Level 3: | | |
| Alternative investments | 7,473 | 7,974 |
| | \$72,904 | \$74,446 |

United States Golf Association

Notes to Financial Statements (In thousands)

The following tables set forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the years ended November 30, 2015 and 2014:

| <i>Description</i> | Balance at November 30, 2014 | Purchases | Sales | Realized and Unrealized Gains, Net | Balance at November 30, 2015 |
|-------------------------|------------------------------------|-----------|---------|--|------------------------------------|
| Alternative investments | \$7,974 | \$100 | \$(900) | \$299 | \$7,473 |

| <i>Description</i> | Balance at November 30, 2013 | Purchases | Sales | Realized and Unrealized Gains, Net | Balance at November 30, 2014 |
|-------------------------|------------------------------------|-----------|---------|--|------------------------------------|
| Alternative investments | \$6,573 | \$275 | \$(720) | \$1,846 | \$7,974 |

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

| | |
|------------|----------|
| 2016 | \$ 3,991 |
| 2017 | 4,251 |
| 2018 | 3,766 |
| 2019 | 4,942 |
| 2020 | 5,631 |
| Thereafter | 27,422 |

6. 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. The USGA sponsors an unfunded postretirement 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 engaged actuarial professionals to advise and assist management with the calculation of benefit obligations. The USGA has recorded an unfunded benefit obligation of \$13,197 and \$11,943 at November 30, 2015 and 2014, respectively, which represent the calculated benefit obligation for both the unfunded supplemental retirement plan and postretirement health plan, adjusted for previously recorded liabilities. The USGA recorded a decrease to unrestricted net assets of \$465 for the year ended November 30, 2015, and an increase to unrestricted net assets of \$298 for the year ended November 30, 2014 in the accompanying 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 end of the current fiscal year.

United States Golf Association

Notes to Financial Statements (In thousands)

Assumptions utilized by the USGA to determine the benefit obligations as of November 30, 2015 and 2014, and the benefit costs for those years are as follows:

| <i>November 30,</i> | 2015 | 2014 |
|-------------------------------|-------|-------|
| Discount rate | 4.00% | 4.00% |
| Rate of compensation increase | 4.00 | 4.00 |

The health care cost trend rate used in measuring the projected benefit obligation is 6.75% for 2015, decreasing by .25% per year to 4.5% in 2024.

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

| | |
|-----------|--------|
| 2016 | \$ 918 |
| 2017 | 330 |
| 2018 | 380 |
| 2019 | 433 |
| 2020 | 484 |
| 2021-2024 | 4,109 |

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 Internal Revenue Service ("IRS") limit. The contribution to fund the plan is made after November 30, 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 for the years ended November 30, 2015 and 2014 were \$1,080 and \$713, 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 for the years ended November 30, 2015 and 2014 were \$70 and \$58, respectively.

The USGA sponsors a 403(b) tax deferred annuity plan. All employees may make voluntary contributions. Employees who work at least 20 hours per week are eligible to receive matching contributions after two years of service. The USGA provides matching contributions of 50% of the first 6% of compensation contributed by the employee. Participants are fully vested in all amounts credited to their account. Contributions made by the USGA for the years ended November 30, 2015 and 2014 were \$725 and \$546, respectively.

The USGA sponsors a nonqualified deferred compensation plan under which a select group of management may make voluntary contributions which defer a portion of their compensation. The USGA does not match such contributions. The USGA holds the funds in a trust which is recorded at its fair value as an asset and a corresponding liability as of November 30, 2015 and 2014.

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

United States Golf Association

Notes to Financial Statements (In thousands)

7. 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:

Year ending November 30,

| | |
|------------|---------|
| 2016 | \$3,875 |
| 2017 | 3,300 |
| 2018 | 2,600 |
| 2019 | 425 |
| 2020 | 2,475 |
| Thereafter | 4,950 |

8. Subsequent Events

The USGA has performed subsequent events procedures through January 22, 2016, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustments to the financial statements.