

United States Golf Association

Financial Statements

Years Ended November 30, 2018 and 2017

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
Liberty Corner, 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, 2018 and 2017, 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, 2018 and 2017, 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

February 22, 2019

United States Golf Association

Statements of Financial Position (In thousands)

<i>November 30,</i>	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 12,195	\$ 15,108
Investments, at fair value	333,475	345,970
Accounts receivable, net	7,212	7,585
Inventories	1,292	954
Prepaid expenses and deferred charges, current	4,390	9,756
Total Current Assets	358,564	379,373
Long-Term Investments	8,095	10,529
Fixed Assets, Net	91,960	72,487
Prepaid Expenses and Deferred Charges, non-current	7,136	6,964
Other Assets	2,708	2,653
Total Assets	\$ 468,463	\$ 472,006
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 17,758	\$ 15,020
Other unfunded retirement benefit obligations, current	436	451
Deferred revenue, current	22,085	24,688
Total Current Liabilities	40,279	40,159
Deferred Compensation	2,708	2,653
Defined Benefit Pension Obligation, in excess of Plan assets	7,274	11,183
Other Unfunded Retirement Benefit Obligations, non-current	14,190	16,279
Deferred Revenue, non-current	13,503	13,613
Bond Payable, less deferred issuance costs	44,570	29,215
Total Liabilities	122,524	113,102
Commitments and Contingencies (Notes 5, 6, 7 and 8)		
Net Assets		
Unrestricted	343,954	358,904
Temporarily restricted	1,985	-
Total Net Assets	345,939	358,904
Total Liabilities and Net Assets	\$ 468,463	\$ 472,006

See accompanying notes to financial statements.

United States Golf Association

Statements of Activities (In thousands)

Year ended November 30, 2018

	Unrestricted	Temporarily Restricted	2018	2017
Revenues				
Championships and team matches, including broadcast rights	\$ 168,070	\$ -	\$ 168,070	\$ 153,791
USGA members program	14,069	-	14,069	15,767
Corporate sponsorship	19,250	-	19,250	14,513
Golf Handicap and Information Network (GHIN) services	5,513	-	5,513	5,869
Green Section services	1,792	-	1,792	1,888
Publications and merchandise, including licensing	1,723	-	1,723	1,876
Equipment testing	643	-	643	1,463
Member club and course dues	804	-	804	1,453
Rules of Golf seminars	555	-	555	1,276
Contributions	896	1,985	2,881	832
USGA Museum	156	-	156	499
Other revenues	1,036	-	1,036	144
Total Revenues	214,507	1,985	216,492	199,371
Expenses				
Program services:				
Championships and team matches, including broadcast activities	117,190	-	117,190	101,527
GHIN services	19,403	-	19,403	18,474
USGA members program, including development	9,411	-	9,411	8,873
Green Section, including turfgrass and environmental research grants	8,550	-	8,550	8,244
Marketing	5,683	-	5,683	6,304
Regional affairs, including Boatwright internship grants	3,583	-	3,583	3,974
Equipment standards and testing	4,473	-	4,473	3,951
Rules of Golf, including rules education and amateur status	5,074	-	5,074	3,561
USGA Museum	2,662	-	2,662	3,497
Research, Science & Innovation	3,065	-	3,065	2,542
Communications	2,844	-	2,844	2,314
Handicap and course rating	2,226	-	2,226	2,294
Community outreach, including charitable initiatives and grants	2,137	-	2,137	1,842
Publications and merchandise, including licensing	729	-	729	733
Member club and course services	244	-	244	388
Total Program Services	187,274	-	187,274	168,518
Supporting services:				
Technology	19,081	-	19,081	20,390
Management and general	17,665	-	17,665	16,768
Corporate sponsorship development	4,362	-	4,362	2,690
Total Expenses	228,382	-	228,382	208,366
(Decrease) Increase in Net Assets, before nonoperating income (expense), decrease in unfunded defined benefit pension obligation and decrease in other unfunded retirement benefit obligations	(13,875)	1,985	(11,890)	(8,995)
Nonoperating Income (Expense)				
Interest expense	(953)	-	(953)	(250)
Interest and dividends	12,468	-	12,468	11,133
Realized and unrealized (loss) income from investments, net of fees and taxes of \$861 and \$891, respectively	(19,334)	-	(19,334)	39,740
(Decrease) Increase in Net Assets, before decrease in unfunded defined benefit pension obligation and decrease in other unfunded retirement benefit obligations	(21,694)	1,985	(19,709)	41,628
Decrease in Unfunded Defined Benefit Pension Obligation	5,187	-	5,187	1,786
Decrease in Other Unfunded Retirement Benefit Obligations	1,557	-	1,557	462
Change in Net Assets	(14,950)	1,985	(12,965)	43,876
Net Assets, beginning of year	358,904	-	358,904	315,028
Net Assets, end of year	\$ 343,954	\$ 1,985	\$ 345,939	\$ 358,904

See accompanying notes to financial statements.

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Statements of Cash Flows (In thousands)

<i>Year ended November 30,</i>	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (12,965)	\$ 43,876
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gains on sales of investments	(7,010)	(5,026)
Unrealized losses (gains) on investments	25,483	(35,558)
Depreciation and amortization	7,296	5,848
Interest expense related to debt issuance costs	15	-
Realized (gain) loss on disposal of fixed assets, net	(6)	107
Effect of changes to unfunded postretirement benefit obligations	(6,743)	(2,248)
Changes in assets and liabilities:		
Accounts receivable	373	(2,171)
Inventories	(338)	92
Prepaid expenses and deferred charges	5,194	(3,665)
Accounts payable and accrued expenses	2,738	(2,326)
Postretirement benefit obligations in excess of Plan assets	730	2,751
Deferred revenue	(2,713)	(2,020)
Net Cash Provided by (Used in) Operating Activities	12,054	(340)
Cash Flows from Investing Activities		
Purchases of investments, including interest and dividends reinvested	(70,633)	(138,420)
Proceeds from sales of investments	67,089	143,177
Purchases of fixed assets	(26,827)	(35,816)
Proceeds from disposals of fixed assets	64	22
Net Cash Used in Investing Activities	(30,307)	(31,037)
Cash Flows from Financing Activities		
Capitalization of debt issuance costs	-	(480)
Proceeds from bond payable	15,340	29,695
Net Cash Provided by Financing Activities	15,340	29,215
Net Decrease in Cash	(2,913)	(2,162)
Cash, beginning of year	15,108	17,270
Cash, end of year	\$ 12,195	\$ 15,108

See accompanying notes to financial statements.

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Notes to Financial Statements

1. Nature of Operations

The United States Golf Association (the USGA or the Association) celebrates, serves and advances the game of golf. Founded in 1894, we conduct many of golf's premier professional and amateur championships, including the U.S. Open and U.S. Women's Open. With the Royal & Ancient Golf Club (R&A), we govern the sport via a global set of playing, equipment and amateur status rules. Our operating jurisdiction for these governance functions is the United States, its territories and Mexico. The USGA Handicap System is utilized in more than 40 countries and our Course Rating System covers 95% of the world's golf courses, enabling all golfers to play on an equitable basis. The USGA campus in Liberty Corner, New Jersey, is home to the Association's Research and Test Center, where science and innovation are fueling a healthy and sustainable game for the future. The campus is also home to the USGA Golf Museum, where we honor the game by curating the world's most comprehensive archive of golf artifacts.

During the fiscal year ended November 30, 2018, a resolution was passed by the Executive Committee to change the year-end from November 30 to December 31. This change was effective as of December 1, 2018.

2. Summary of Significant Accounting Policies

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.

Net Asset Classification

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - This class consists of net assets resulting from contributions and other inflows of assets whose use by USGA is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of USGA.

Temporarily Restricted - This class consists of net assets resulting from contributions and other inflows of assets whose use by USGA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of USGA pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - This class consists of the part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

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Fair Value Measurements

Accounting principles generally accepted in the United States of America (GAAP) establish 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 or liability 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 products does not entail a significant degree of judgment.

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 collectibility is uncertain. The allowances for doubtful accounts for both years ended November 30, 2018 and 2017 were \$240 and \$135, 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.

Deferred Charges

The USGA defers expenditures associated with future years' championships, that are not considered period costs, until the year the championship is held. As of November 30, 2018 and 2017, the USGA has deferred \$6,468 and \$9,908, respectively, related 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 the estimated useful lives, which range from 3 to

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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.

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. There were no impairment changes recorded during the years ended November 30, 2018 and 2017.

Concentrations

Financial instruments that potentially subject the USGA to 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 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.

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. 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. Fees received in advance for memberships are recognized as revenue in the period(s) in which the fees are earned.

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.

Allocation of Expenses

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

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Contributed Services and In-Kind Contributions

The Executive Committee, along with approximately 960 committee members and more than 13,000 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. These services do not meet the conditions that would require recognition as revenue and expense, as required by GAAP.

In-kind contributions have been made to promote the USGA's programs and are reported in the financial statements at their fair value at the date of the gift. During the years ended November 30, 2018 and 2017, \$5,642 and \$5,643 of in-kind contributions, respectively, were received through arrangements with corporate partners and reported correspondingly 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 and team matches, including broadcast activities.

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 \$2 and \$3 were paid on unrelated business income in 2018 and 2017, 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 they are required to do so. For the years ended November 30, 2018 and 2017, there were no interest or penalties incurred. The USGA believes it is no longer subject to income tax examinations for the fiscal years prior to 2015. The USGA has not taken an unsubstantiated tax position that would require provision of a liability under Accounting Standards Codification (ASC) 740, "Income Taxes."

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.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating, based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective

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for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets, now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The ASU is effective for USGA’s financial statements for fiscal years beginning after December 15, 2017, and will be adopted by the USGA for its next reporting period.

In March 2017, the FASB issued ASU 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” This ASU requires the service cost component of net periodic benefit cost related to defined benefit pension and postretirement benefit plans to be reported in the same financial statement line as other compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are required to be presented separately from service costs and outside of operating income in the statement of operations. Only the service cost component of net periodic benefit cost will be eligible for capitalization in assets. ASU 2017-07 is effective for USGA for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019, with early adoption permitted in the first quarter of 2017. Upon adoption, USGA is required to apply the new guidance retrospectively to all periods presented in the financial statements, except for the guidance limiting the capitalization of net periodic benefit costs in assets, which is required to be applied prospectively.

Management is currently evaluating the impact of this ASU on its financial statements.

3. Investments

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 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 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).

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns. 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

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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 in Note 2) 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 are summarized as follows:

<i>November 30,</i>	2018	2017
Level 1:		
Money market funds	\$ 21,613	\$ 11,901
U.S. equity mutual funds	90,366	84,793
International equity mutual funds	118,169	134,511
Fixed income mutual funds	37,358	35,295
Real assets mutual funds	21,523	23,859
	289,029	290,359
Investments valued at net asset value (NAV)*:		
Fixed income commingled fund	-	10,601
Alternative investments and private equity	52,541	55,539
Total Investments	\$ 341,570	\$ 356,499

* 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 prescribed in these tables are intended and permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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Investments whose fair values are estimated using reported NAV or the equivalent are summarized as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Emerging market fund	\$ 1,914	\$ -	Quarterly	60 days
Absolute return hedge fund	8,676	-	Quarterly	60 days
Long/short hedge fund of funds	33,617	-	Quarterly	95 days
Multi-strategy hedge fund	239	-	Annually	90 days
Infrastructure partnership ^(a)	4,023	876	-	-
Private equity fund of funds ^(a)	4,072	1,726	-	-
	\$ 52,541	\$ 2,602		

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

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.

4. Fixed Assets, Net

Fixed assets are summarized as follows:

November 30,	2018	2017
Land and improvements	\$ 12,507	\$ 2,045
Buildings and improvements	94,434	40,952
Equipment and other	25,585	20,914
	132,526	63,911
Accumulated depreciation and amortization	(40,566)	(34,766)
Construction-in-progress	-	43,342
	\$ 91,960	\$ 72,487

The construction-in-progress reported at fiscal year ended November 30, 2017 was predominantly attributable to a multi-year campus renovation project, which began in 2015 and was completed in the first quarter of 2018.

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 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 \$7,274 and \$11,183 at November 30, 2018 and 2017,

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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 an increase to unrestricted plan net assets of \$5,187 and \$1,786 for the years ended November 30, 2018 and 2017, respectively, in the respective accompanying statements of activities resulting from the changes in the unfunded pension obligation.

The following sets forth the USGA's defined benefit pension plan's funded status and the net amounts recognized:

<i>November 30,</i>		2018		2017
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$	94,220	\$	85,478
Service cost		2,967		2,893
Interest cost		3,454		3,327
Actuarial (gain) loss		(11,656)		5,650
Benefits paid		(1,789)		(3,128)
Projected Benefit Obligation, at end of year	\$	87,196	\$	94,220

<i>November 30,</i>		2018		2017
Change in plan assets:				
Fair value of plan assets at the beginning of the year	\$	83,037	\$	74,478
Actual return on plan assets		(1,326)		11,687
Benefits paid		(1,789)		(3,128)
Fair Value of Plan Assets, at end of year	\$	79,922	\$	83,037
Funded Status, at end of year	\$	(7,274)	\$	(11,183)

For the years ended November 30, 2018 and 2017, the accumulated benefit obligation of the defined benefit pension plan was \$75,745 and \$79,527, 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 were as follows:

<i>November 30,</i>		2018 (%)		2017 (%)
Discount rate		4.50		3.75
Expected long-term rate of return on plan assets		6.00		6.75
Rate of compensation increase		4.00		4.00

The USGA utilized the RP-2014 Employee and Healthy Annuitant tables adjusted back to 2006 and then projected forward with Scale MP-2018 and Scale MP-2017 for the computation of the benefit obligation for the years ended November 30, 2018 and 2017, respectively.

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Assumptions utilized by the USGA to determine benefit costs were as follows:

<i>November 30,</i>	2018 (%)	2017 (%)
Discount rate	3.75	4.00
Expected long-term rate of return on plan assets	6.75	6.75
Rate of compensation increase	4.00	4.00

The following table provides the components of the net periodic expense for the defined benefit pension plan:

<i>November 30,</i>	2018	2017
Service cost	\$ 2,967	\$ 2,893
Interest cost	3,454	3,327
Expected return on plan assets	(5,464)	(4,873)
Recognized net actuarial loss	320	622
Net Periodic Expense, for the year	\$ 1,277	\$ 1,969

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. During the year, asset allocations are reviewed for adherence to targets and rebalanced periodically.

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The allocation of plan assets for the fiscal year ended November 30, 2018 was 55% in equity securities, 30% in fixed income, 10% in a multi-alternative fund and the remaining 5% in cash and cash equivalents. The allocation of plan assets for the fiscal year ended November 30, 2017 was 55% in equity securities, 30% in fixed income and the remaining 15% in a multi-alternative fund. Plan assets classified by ASC 820 levels, are as follows:

<i>November 30,</i>	2018	2017
Level 1:		
Money Market	\$ 3,983	\$ -
Mutual funds:		
Inflation-protected bond	6,379	6,474
Intermediate-term bond	4,780	2,618
High yield bond	6,374	6,548
Long-term bond	6,388	6,573
Small growth	6,408	7,116
Large value	6,413	6,842
Multi-alternative	7,967	12,560
Large growth	6,451	7,262
Small value	6,420	7,050
Foreign large blend	5,573	5,876
Diversified emerging markets	6,360	7,071
Total Money Market and Mutual Funds	73,496	75,990
Investments valued at NAV*:		
Common collective trusts:		
U.S. common stock funds	6,426	7,047
Total Common Collective Trusts	6,426	7,047
Total Investments, at fair value	\$ 79,922	\$ 83,037

* 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 prescribed in these tables are intended and permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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

2019	\$	6,204
2020		5,338
2021		5,415
2022		5,854
2023		4,365
2024-2028		28,813

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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 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 engaged actuarial professionals to advise and assist management with the calculation of benefit obligations. The USGA has recorded an unfunded benefit obligation of \$14,627 and \$15,702 at November 30, 2018 and 2017, 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 an increase to unrestricted net assets of \$1,557 and \$462 for the years ended November 30, 2018 and 2017, respectively, 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.

Assumptions utilized by the USGA to determine the benefit costs for the supplemental retirement plan and the postretirement health plan were as follows:

<i>November 30,</i>	2018 (%)	2017 (%)
Discount rate	3.75	4.00
Rate of compensation increase	4.00	4.00

Assumptions utilized by the USGA to determine the benefit obligations for the supplemental retirement plan and the postretirement health plan were as follows:

<i>November 30,</i>	2018 (%)	2017 (%)
Discount rate	4.50	3.75
Rate of compensation increase	4.00	4.00

The USGA utilized the RP-2014 Employee and Healthy Annuitant tables adjusted back to 2006 and then projected forward with Scale MP-2018 and Scale MP-2017 for the computation of the benefit obligation for the years ended November 30, 2018 and 2017, respectively.

The health care cost trend rate used in measuring the projected benefit obligation for the postretirement health plan is 5.25% for 2018, decreasing by .25% per year to 4.0% in 2024.

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

2019	\$	615
2020		493
2021		553
2022		1,447
2023		677
2024-2028		3,807

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, 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, 2018 and 2017 were \$1,657 and \$1,875, 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, 2018 and 2017 were \$71 and \$355, 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. 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 November 30, 2018 and 2017 were \$968 and \$893, 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. 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, 2018 and 2017.

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.

7. 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). 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

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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 fiscal years ended November 30, 2018 and 2017, the USGA made interest payments totaling \$916 and \$250 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 all years thereafter:

<i>Year ending November 30,</i>	Principal payments	Interest payments
2019	\$ -	\$ 1,005
2020	-	1,008
2021	-	1,005
2022	1,136	995
2023	1,387	965
2024-2047	42,512	16,186
	45,035	21,164
Less: unamortized balance of deferred issuance costs	(465)	-
	\$ 44,570	\$ 21,164

8. 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:

<i>Year ending November 30,</i>	
2019	\$ 650
2020	2,925
2021	2,675
2022	2,600
2023	600
Thereafter	7,575

9. Subsequent Events

Pursuant to ASC 855, "Subsequent Events," as amended, the Association has evaluated subsequent events through February 22, 2019, the date these financial statements were available to be issued. No modifications of the financial statements were necessary as a result of the subsequent events evaluation.