Consolidated Financial Statements and Report of Independent Certified Public Accountants

United States Golf Association

December 31, 2019

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Executive Committee of
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 statement of financial position as of December 31, 2019, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of the United States Golf Association as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Iselin, New Jersey
March 5, 2020

United States Golf Association

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019
(in thousands)

ASSETS

Cash and cash equivalents	$	11,232
Investments, at fair value		394,867
Accounts receivable, net		6,824
Inventories		882
Prepaid expenses and deferred charges		11,385
Fixed assets, net		81,242
Other assets		3,061
Total assets	$	509,493

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	$	12,640
Other unfunded retirement benefit obligations		17,053
Deferred revenue		30,178
Deferred compensation		3,061
Defined benefit pension obligation, in excess of plan assets of $56,980		16,743
Bond payable, less deferred issuance costs		44,588
Total liabilities		124,263
Commitments (Note K)		
NET ASSETS		
Without donor restrictions		383,619
With donor restrictions		1,611
Total net assets		385,230
Total liabilities and net assets	$	509,493

The accompanying notes are an integral part of this consolidated financial statement.

United States Golf Association

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2019
(in thousands)

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues		
Media rights	$	113,594
Championship revenues		45,876
USGA members' program		16,556
Corporate sponsorships		22,440
Service revenues		8,114
Other revenues		4,331
Total revenues without donor restrictions		210,911
Expenses		
Program services:		
Championships		108,714
Golfer engagement		47,046
Governance		13,253
Golf courses and sustainability		13,986
Total program services		182,999
Supporting Services:		
Administration and other costs		16,067
Total supporting services		16,067
Total expenses		199,066
Investment performance allocated to fund strategic initiatives		2,408
Increase in net assets from operating activities		14,253
Nonoperating Activities		
Realized and unrealized gains from investments, net of fees and taxes of $1,331		51,699
Investment performance allocated to fund strategic initiatives		(2,408)
Interest expense		(1,039)
Interest and dividends		8,315
Increase in unfunded defined benefit pension obligation		(12,293)
Other components of net periodic benefit cost		11,435
Increase in other unfunded retirement benefit obligations		(2,247)
Nonoperating income		53,462
Increase in net assets without donor restrictions		67,715
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Net assets released from restriction		(500)
Contributions and other		(113)
Decrease in net assets with donor restrictions		(613)
Change in net assets		67,102
Net assets, beginning of year		318,128
Net assets, end of year	$	385,230

The accompanying notes are an integral part of this consolidated financial statement.

United States Golf Association

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019
(in thousands)

Cash flows from operating activities	
Change in net assets	$ 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	(51,699)
Depreciation and amortization	5,707
Interest expense related to debt issuance costs	18
Loss on disposal of fixed assets	5,790
Effect of changes to unfunded postretirement benefit obligations	2,105
Changes in assets and liabilities:	
Accounts receivable	5,772
Inventories	358
Prepaid expenses and other deferred charges	397
Other assets	(548)
Accounts payable and accrued expenses	(1,137)
Defined benefit obligations, in excess of plan assets	1,632
Deferred revenue	(15,683)
Deferred compensation	548
Net cash provided by operating activities	20,362
Cash flows from investing activities	
Purchases of investments, including interest and dividends reinvested	(180,433)
Proceeds from sales of investments	164,841
Purchases of fixed assets	(1,359)
Net cash used in investing activities	(16,951)
Net increase in cash and cash equivalents	3,411
Cash and cash equivalents, beginning of year	7,821
Cash and cash equivalents, end of year	$ 11,232
Supplementary Information	
Cash paid during the year for taxes	$ 205
Cash paid during the year for interest	$ 1,021

The accompanying notes are an integral part of this consolidated financial statement.

NOTE A - NATURE OF OPERATIONS

The United States Golf Association (the "USGA" or the "Association") celebrates, serves and advances the game of golf. Founded in 1894, the USGA conducts many of golf's premier professional and amateur championships, including the U.S. Open and U.S. Women's Open. With the R&A, the USGA governs the sport via a global set of playing, equipment standards, handicapping, and amateur status rules. 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 (the "Museum"), which is a program of the Association, where we honor the game by curating the world's most comprehensive archive of golf artifacts.

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 United States Golf Association as it carries out its programs, activities and projects designed to advance its charitable mission.

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 U.S. generally accepted accounting principles ("GAAP"). The accompanying consolidated financial statements include the Association and the Foundation. All intercompany activity has been eliminated. In the accompanying consolidated statement 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.

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 other removed by actions of the Association are classified as net assets with donor restrictions - perpetual in nature. As of December 31, 2019, the Association had no net assets which are permanently restricted.

Without Donor Restrictions - This class consists of the part of net assets that is not restricted by donor-imposed stipulations and available for the general operating activities of the Association.

Fair Value Measurements

Accounting principles generally accepted in the United States of America 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 investments 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 collectability is uncertain. The allowance for doubtful accounts as of December 31, 2019 totaled $677.

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 December 31, 2019, the USGA has deferred $8,832 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 their 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 accompanying consolidated statement 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 $5,790 pertaining to the abandonment of certain capitalized software costs were recorded during the year ended December 31, 2019.

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.

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. 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 and the net amount not yet recognized as a component of net periodic benefit cost.

Revenue Recognition

The USGA adopted 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 obligations 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.

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 the adoption of ASC 606.

The results of ASC 606 did not have a material impact on the consolidated financial position, changes in net assets, cash flows, business processes, controls or systems of the USGA.

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.

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 in support of program services. 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 consolidated financial statements at their fair value as determined at the date of the gift. During the year ended December 31, 2019, $4,538 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 USGA has and estimates a tax due from such of $200,000 for the year. 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 Accounting Standards Codification ("ASC") 740, *Income Taxes*.

Use of Estimates

The preparation of the consolidated 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 consolidated statement of activities, as well as the effect on the consolidated 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 the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

(in thousands)

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 required 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 were required to be presented separately from service costs and outside of operating income in the consolidated statement of activities. Only the service cost component of net periodic benefit cost was eligible for capitalization in assets. ASU 2017-07 was effective for the 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, the USGA applied 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 were required to be applied prospectively. The USGA adopted this standard for the year ended December 31, 2019.

NOTE C - REVENUE RECOGNITION

Media Rights

The USGA contracts with domestic and international entities to distribute coverage of 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 year ended December 31, 2019, media rights recognized are comprised of the following:

	2019
Domestic broadcast rights	$ 81,172
International broadcast rights	32,422
Total	$ 113,594

(in thousands)

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 occurs. Accordingly, the USGA does not have any unsatisfied performance obligations as of year-end. USGA characterizes the intellectual property associated with the 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.

Championship Revenues

USGA generates certain revenues associated with the conduct of our 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 USGA marks, revenue from the sales of food and beverage and other miscellaneous revenues.

Disaggregated championship revenues for the year ended December 31, 2019 follows:

	2019
Admissions	$ 26,138
Hospitality sales	3,859
Corporate merchandise	377
Championship merchandise	3,181
Royalties	3,368
Entry fees	6,840
Other, principally host club revenue	2,057
Food and beverage	56
	$ 45,876

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.

USGA Members' Program

Revenue from 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, 2019 includes multi-year pledges.

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 contract. Each year's performance obligations relate to the unique championships and activation plan for a given year. 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.

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 year ended December 31, 2019 follows:

	2019
GHIN service	$ 5,243
Course consulting service	1,404
Equipment standards testing	670
Rules of golf seminars	797
	$ 8,114

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.

(in thousands)

NOTE D - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

December 31, 2019	
Cash and cash equivalents	$ 11,232
Marketable investments	331,456
Accounts receivable, net, due within one year	5,839
Total current financial assets, at end of year	348,527
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	1,611
Total financial assets available to management for general expenditures within one year	$ 346,916

As part of the Associations' 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 have been excluded from the marketable investment balance presented above.

NOTE E - METHODS USED FOR ALLOCATION OF EXPENSES

Administration and other costs includes 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, 2019

	Program services				Supporting services	
	Championships	Golfer engagement	Governance	Golf courses and sustainability	Administration and other costs	Total
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	872	4,001	48	2,514	35	7,470
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	28,506	6,170	504	186	913	36,279
Total	$ 108,714	$ 47,046	$ 13,253	$ 13,986	$ 16,067	$ 199,066

(in thousands)

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).

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 are summarized as follows:

December 31,	2019
Level 1:	
Money market funds	$ 4,179
U.S. equity mutual funds	132,461
International equity mutual funds	94,637
Fixed-income mutual funds	100,179
	331,456
Investments reported at fair value based on net asset value ("NAV")*	28,426
Investment redemption receivable	34,985
Total investments	$ 394,867

* 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 2019 consolidated statement of financial position.

(in thousands)

The USGA submitted a redemption request relative to an investment fund, which remained outstanding as of December 31, 2019. This redemption receivable continues to be reflected as part of investments on the accompanying statement of financial position and was collected in full subsequent to year-end.

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

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Long-equity [(a)]	$ 11,084	$ -	Quarterly	90 days
Absolute return hedge fund [(b)]	9,081	-	Quarterly	60 days
Long/short hedge fund of funds [(c)]	1,644	-	Quarterly	95 days
Multi-strategy hedge fund [(d)]	207	-	Annually	90 days
Infrastructure partnership [(e)]	3,509	823		
Private equity fund of funds [(f)]	2,901	676		
	$ 28,426	$ 1,499		

(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.

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.

(in thousands)

NOTE G - FIXED ASSETS, NET

Fixed assets are summarized as follows:

December 31,	2019
Land	$ 12,049
Land improvements	473
Buildings and improvements	94,584
Equipment and other	15,815
	122,921
Less: Accumulated depreciation and amortization	(41,679)
	$ 81,242

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 $16,743 at December 31, 2019. 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 following sets forth the USGA's defined benefit pension plan's funded status and the net amounts recognized:

December 31,	2019
Change in projected benefit obligation:	
Projected benefit obligation at beginning of year	$ 90,849
Service cost	774
Interest cost	3,669
Plan amendments	1,040
Curtailment gain	(11,614)
Settlement loss	411
Special termination benefits	11,765
Actuarial loss	8,262
Settlement payments	(29,874)
Benefits paid	(1,559)
Projected benefit obligation, at end of year	$ 73,723

(in thousands)

December 31,	2019
Change in plan assets:	
Fair value of plan assets at the beginning of the year	$ 75,738
Actual return on plan assets	12,675
Settlement payments	(29,874)
Benefits paid	(1,559)
Fair value of plan assets, at end of year	56,980
Funded status, at end of year	$ (16,743)

For the year ended December 31, 2019, the accumulated benefit obligation of the defined benefit pension plan was $73,723.

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.

Assumptions utilized by the USGA to determine the benefit obligations are as follows:

December 31,	2019
Discount rate	3.25%
Expected long-term rate of return on plan assets	6.00%
Rate of compensation increase	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 year ended December 31, 2019.

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

December 31,	2019
Discount rate	4.25%
Expected long-term rate of return on plan assets	6.00%
Rate of compensation increase	4.00%

(in thousands)

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

December 31,		2019
Service cost	$	774
Interest cost		3,669
Expected return on plan assets		(4,579)
Curtailment		(1,052)
Settlement		1,316
Special termination benefits		11,765
Recognized net actuarial loss		316
Net periodic expense	$	12,209

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.

(in thousands)

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

December 31,	2019
Level 1:	
Mutual funds:	
Inflation-protected bond	$ 3,792
Intermediate-term bond	3,897
High-yield bond	5,280
Long-term bond	5,151
Small growth	5,339
Large value	5,351
Multi-alternative	3,956
Large growth	5,361
Small value	5,344
Foreign large blend	3,986
Diversified emerging markets	4,073
Total money market and mutual funds	51,530
Investments valued at NAV*:	
Common collective trusts:	
Government money market	86
U.S. common stock funds	5,364
Total common collective trusts	5,450
Total investments, at fair value	$ 56,980

* 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:

2020	$ 3,450
2021	3,048
2022	3,483
2023	2,998
2024	3,251
2025 - 2029	20,300

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.

(in thousands)

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 $17,053 at December 31, 2019, 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 a decrease to net assets without donor restrictions of $2,247 for the year ended December 31, 2019, in the accompanying consolidated statement 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 were as follows:

December 31,	2019
Discount rate	4.25%
Rate of compensation increase	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:

December 31,	2019
Discount rate	3.25%
Rate of compensation increase	4.00%

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 year ended December 31, 2019.

The health care cost trend rate used in measuring the projected benefit obligation for the post-retirement health plan is 5.25% for 2019, decreasing by 0.25% per year to 4.00% in 2025 for post-65 benefits and 7.50% for 2019, decreasing by 0.25% per year to 4.00% in 2034 for pre-65 benefits

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

2020	$	1,055
2021		972
2022		2,460
2023		901
2024		852
2025 - 2029		4,227

(in thousands)

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, 2019, 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 year ended December 31, 2019 totaled $2,116.

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 year ended December 31, 2019 totaled $129.

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 year ended December 31, 2019 totaled $956.

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 IRC. 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 statement of financial position. Plan assets, at fair value, at December 31, 2019 totaled $3,061. Assets at December 31, 2019 are classified within the FASB's fair value hierarchy at Level 1 and Level 3 in the amounts of $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 year ended December 31, 2019:

	2019
Beginning balance, January 1, 2019	$ 569
Investment return	30
Ending balance, December 31, 2019	$ 599

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.

(in thousands)

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 year ended December 31, 2019, the USGA made interest payments totaling $1,021 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
2020	$ -	$ 1,007
2021	-	1,005
2022	1,136	995
2023	1,387	965
2024	1,416	936
2025-2029	41,096	15,250
Less: Unamortized balance of deferred issuance costs	(447)	-
	$ 44,588	$ 20,158

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:

2020	$ 3,025
2021	2,425
2022	400
2023	300
2024	3,050
Thereafter	175

NOTE L - SUBSEQUENT EVENTS

The USGA evaluated events occurring after December 31, 2019, through March 5, 2020, 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, other than what is disclosed in Note F.