



Certified Public Accountants

THE ENVIRONMENTAL INSTITUTE FOR GOLF

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

THE ENVIRONMENTAL INSTITUTE FOR GOLF

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Environmental Institute for Golf
Lawrence, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of The Environmental Institute for Golf (the Institute), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses 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.

Auditors' 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 audits 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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 Institute as of December 31, 2019 and 2018, and results of changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Institute has changed its method of accounting for revenue recognition effective January 1, 2019 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* and FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

BT + Co., P.A.

June 2, 2020
Topeka, Kansas

THE ENVIRONMENTAL INSTITUTE FOR GOLF

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 130,210	\$ 189
Accounts receivable, net	20,726	86,638
Due from related parties	19,922	-
Prepaid expenses	45,478	16,602
Pledges receivable, net	475,433	225,472
Investments	10,634,753	8,723,568
Intangible assets, net	<u>18,750</u>	<u>26,250</u>
Total assets	<u>\$ 11,345,272</u>	<u>\$ 9,078,719</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 87,053	\$ 75,470
Due to related parties	-	17,999
Deferred revenue	<u>190,575</u>	<u>29,585</u>
Total liabilities	<u>277,628</u>	<u>123,054</u>
Net assets without donor restrictions - board designated	10,592,211	8,730,193
Net assets with donor restrictions	<u>475,433</u>	<u>225,472</u>
Total net assets	<u>11,067,644</u>	<u>8,955,665</u>
Total liabilities and net assets	<u>\$ 11,345,272</u>	<u>\$ 9,078,719</u>

See accompanying notes to financial statements.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions - board designated:		
Revenues:		
Individual contributions	\$ 162,946	\$ 161,001
Facility and chapter contributions	46,475	54,950
Industry contributions	165,292	108,679
Silent auction income	123,157	109,660
Scholarship and grant contributions	94,852	83,850
Online auction	438,273	393,493
Disaster relief	10,050	20,231
Investment income (loss)	1,847,184	(711,434)
Net assets released from restrictions - time	250,039	142,828
	<u>3,138,268</u>	<u>363,258</u>
Total revenues		
Expenses:		
Program services:		
Program activities	1,817,321	1,626,599
Supporting services:		
Management and general	43,492	42,483
Fundraising	216,366	207,612
	<u>2,077,179</u>	<u>1,876,694</u>
Total expenses		
Change in net assets without donor restrictions	<u>1,061,089</u>	<u>(1,513,436)</u>
Net assets with donor restrictions:		
Restricted contributions - major gifts	1,300,929	1,357,516
Net assets released from restrictions - time	(250,039)	(142,828)
	<u>1,050,890</u>	<u>1,214,688</u>
Change in net assets with donor restrictions		
Change in net assets	2,111,979	(298,748)
Net assets, beginning of year	<u>8,955,665</u>	<u>9,254,413</u>
Net assets, end of year	<u>\$ 11,067,644</u>	<u>\$ 8,955,665</u>

See accompanying notes to financial statements.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	2019			
	Program Activities	Management and General	Fundraising	Total Expenses
Salaries, benefits and related expenses	\$ 38,724	\$ 38,724	\$ 77,449	\$ 154,897
Research	150,000	-	-	150,000
Education	498,458	-	-	498,458
Environmental programs	365,000	-	-	365,000
Advocacy	360,000	-	-	360,000
Board of trustees and other support	4,293	4,293	24,843	33,429
Travel	3,747	475	950	5,172
Marketing and promotion	-	-	25,163	25,163
Silent auction	-	-	17,543	17,543
Online auction	286,598	-	70,418	357,016
Disaster relief	10,050	-	-	10,050
Scholarships	100,451	-	-	100,451
Total	<u>\$ 1,817,321</u>	<u>\$ 43,492</u>	<u>\$ 216,366</u>	<u>\$ 2,077,179</u>
	2018			
	Program Activities	Management and General	Fundraising	Total Expenses
Salaries, benefits and related expenses	\$ 37,134	\$ 37,134	\$ 74,268	\$ 148,536
Research	135,000	-	-	135,000
Education	421,427	-	-	421,427
Environmental programs	350,000	-	-	350,000
Advocacy	325,000	-	-	325,000
Board of trustees and other support	4,843	4,843	25,704	35,390
Travel	2,421	506	1,012	3,939
Marketing and promotion	-	-	24,025	24,025
Silent auction	-	-	19,047	19,047
Online auction	241,164	-	63,556	304,720
Disaster relief	20,231	-	-	20,231
Scholarships	89,379	-	-	89,379
Total	<u>\$ 1,626,599</u>	<u>\$ 42,483</u>	<u>\$ 207,612</u>	<u>\$ 1,876,694</u>

See accompanying notes to financial statements.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,111,979	\$ (298,748)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Amortization expense	7,500	7,500
Unrealized/realized (gain) loss on investments	(1,584,550)	807,792
Changes in assets and liabilities:		
Accounts receivable	45,990	(63,947)
Pledges receivable	(299,600)	165,500
Change in allowance for uncollectible contributions	17,976	(9,930)
Change in unamortized discount	31,663	(15,142)
Prepaid expenses	(28,876)	6,850
Accounts payable and accrued expenses	(6,416)	2,136
Deferred revenue	160,990	29,585
	<u>456,656</u>	<u>631,596</u>
Net cash from operating activities		
Cash flows from investing activities:		
Purchase of investments	(998,765)	(2,071,135)
Proceeds from sale of investments	672,130	1,274,778
	<u>(326,635)</u>	<u>(796,357)</u>
Net cash from investing activities		
Net change in cash	130,021	(164,761)
Cash and cash equivalents, beginning of year	<u>189</u>	<u>164,950</u>
Cash and cash equivalents, end of year	<u>\$ 130,210</u>	<u>\$ 189</u>

See accompanying notes to financial statements.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

1 - Organization and Summary of Significant Accounting Policies

Organization

The Environmental Institute for Golf (the Institute) focuses on providing funding and financial support for programs and services involving information collection, scientific research, education and outreach that communicate the best management practices of environmental stewardship of the golf course. As part of its focus on education, the Institute also funds a collegiate scholarship program. The Institute is supported primarily through contributions from organizations and individual donors.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of checking accounts.

Concentrations of Credit Risk

The Institute manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Institute has not experienced losses in any of these accounts.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers. The majority of the Institute's accounts receivable are due from corporate sponsors for activities related to the Institute's mission. The Institute records an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are written off when management believes all collection efforts have been exhausted. No material amounts were considered uncollectible based on past collectability experience for the years ended December 31, 2019 and 2018.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are for receivables that are generally due within one to three years of the date of the pledge. Pledges receivable are stated at the pledged amount. The carrying amount of pledges receivable is reduced by the amount of the unamortized discount related to promises to give that are to be collected over a period longer than one year. Management has established a valuation allowance that reflects management's best estimate of amounts that will not be collected based on specific donors' pledges and the aging of pledges receivable. All pledges or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible pledges. Management has established an allowance of \$ 33,120 and \$ 15,144 as of December 31, 2019 and 2018.

Investments

The Institute's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Institute invests in mutual funds, corporate bonds and exchange traded funds.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Intangible Assets

The intangible asset resulted from the acquisition of the name and program rights for "Rounds 4 Research" during 2012 in the amount of \$ 75,000. The agreement allows the Institute to provide a national online auction that solicits and sells donated golf tee times to raise funds on behalf of the Institute in support of the environmental programs for Golf Course Superintendents Association of America (the Association). These costs are being amortized over 10 years using the straight-line method half-year convention.

Deferred Revenue

Deferred revenue represents amounts received which have not been earned at the end of the year.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions-Board Designated

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Institute, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. For the Institute, all net assets without donor restrictions have been designated by the Board. All amounts are included as a board designated endowment.

Included in the net assets without donor restrictions-board designated funds are the Robert Trent Jones Fund, the Investing in the Beauty of Golf Fund, the Scotts Company Fund, the Michael Hurdzan Fund, the R.A. Moore Fund, the Melrose Leadership Academy and the Williams Leadership Fund. These funds have been designated by the Board of Trustees for environmental programs including education, research, and related activities.

Net Assets With Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Institute has no net assets that are perpetual in nature or must be maintained in perpetuity.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

As of December 31, 2019 and 2018, the Institute had \$ 475,433 and \$ 225,472, respectively, in net assets with donor restriction due to time. Time restricted net assets of \$ 250,039 and \$ 142,828, respectively, were released from restrictions during 2019 and 2018 for fulfillment of time.

Revenue Recognition Policy

The Institute recognizes revenue from auction sales when the products are transferred, and the services are provided. The Institute records auction revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Significant judgements are made in determining the value of the exchange and contribution element of the auction.

The Institute recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as increases in net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as increases in net assets with donor restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the interest method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Institute is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code), is exempt from federal income taxes pursuant to Section 501(a) of the Code and has not been classified as a private foundation under Section 509(a) of the Code.

The Institute's policy is to evaluate uncertain tax positions annually. Management has evaluated the Institute's tax positions and concluded that the Institute had taken no uncertain tax positions that require adjustment to the financial statements.

Form 990 filed by the Institute is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the Institute are no longer subject to examination for the fiscal years ended December 31, 2015 and prior.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management's estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

Risks and Uncertainties

The Institute maintains a significant portion of its total assets in mutual funds, corporate bonds and exchange traded funds. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Institute operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the Institute. Accordingly, while management cannot quantify the financial and other impacts to the Institute as of the report date, management believes that a material impact on the Institute's financial position, investments held, and results of future operations is reasonably possible.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Institute incurs costs for promoting its programs and activities in various publications and media. These costs are expensed as incurred and amounted to \$ 9,243 and \$ 8,308 for the years ended December 31, 2019 and 2018, respectively.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Institute has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The Institute adopted the new standard effective January 1, 2019, the first day of the Institute's current fiscal year using the modified retrospective approach. The new revenue standard will not have a material impact on the amount and timing of revenue recognized in the Institute's financial statements.

As part of the adoption of the ASC, the Institute elected the transition practical expedient to apply the standard only to contracts that are not completed at the initial date of application.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Institute has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Institute's implementation of ASU 2018-08.

Pending Accounting Pronouncement

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. ASU 2018-13 must be applied using a retrospective transition method with early adoption permitted. Management is currently evaluating the impact of the adoption of this guidance on its financial statements.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year information was reclassified to conform to the current year presentation.

2 - Availability and Liquidity

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018 are:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 130,210	\$ 189
Accounts receivable, net	20,726	86,638
Pledges receivable, net	475,433	225,472
Due from related party	19,922	110
Investments	<u>10,634,753</u>	<u>8,723,568</u>
Total financial assets	11,281,044	9,035,977
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted funds (see Note 1)	(475,433)	(225,472)
Less board designated net assets (see Notes 1 and 7)	<u>(10,592,211)</u>	<u>(8,730,193)</u>
Amount available for general expenditures within one year	<u>\$ 213,400</u>	<u>\$ 80,312</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Institute's intention to invest those resources for the long-term support of the Institute. However, in the case of need, the Board of Directors could appropriate resources from the board-designated funds available for general use. Note 7 provides more information about those funds and about the spending policies for all endowment funds.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Availability and Liquidity (Continued)

As part of the Institute's liquidity management plan, a service agreement is in place with the Golf Course Superintendents Association of America (the Association) to provide a working capital loan when needed. In addition to the working capital loan, any surplus funds over the long-term goals of the endowment can also be utilized as a source of liquidity for the Institute. Any loan interest due to the Association is based on the available variable interest rate referenced in the promissory note for the Association's commercial line of credit. The Association's promissory note is updated on an annual basis with the bank/lender. Any interest owed to the Association is accrued on a monthly basis and is reconciled with any balance due between the two entities. Cash needs for the Institute are monitored by staff on a daily basis.

3 - Investments

The fair values of investments were as follows at December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 37,232	\$ 9,088
Mutual funds	1,867,090	1,474,082
Exchange traded funds	6,774,544	5,346,886
Corporate bonds	1,955,887	1,893,512
	<u>\$ 10,634,753</u>	<u>\$ 8,723,568</u>

Investment income consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 262,634	\$ 96,358
Net realized and unrealized gain (loss)	1,584,550	(807,792)
	<u>\$ 1,847,184</u>	<u>\$ (711,434)</u>

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3	Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019 and 2018.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. The funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded.

Corporate bonds: Valued at the daily closing price reported on the active market on which the individual corporate bonds are traded.

Exchange traded funds: Valued at the daily closing price reported on the active market on which the individual exchange traded fund is traded.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - Fair Value Measurements (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	Year Ended December 31, 2019			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large blend	\$ 882,180	\$ -	\$ -	\$ 882,180
Large cap value	984,910	-	-	984,910
Total mutual funds	1,867,090	-	-	1,867,090
Exchange traded funds:				
Small cap value	535,005	-	-	535,005
Large blend	3,649,633	-	-	3,649,633
Foreign blend	2,589,906	-	-	2,589,906
Total exchange traded funds	6,774,544	-	-	6,774,544
Corporate bonds	1,955,887	-	-	1,955,887
	<u>\$ 10,597,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,597,521</u>
	Year Ended December 31, 2018			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large blend	\$ 730,647	\$ -	\$ -	\$ 730,647
Large cap value	743,435	-	-	743,435
Total mutual funds	1,474,082	-	-	1,474,082
Exchange traded funds:				
Small cap value	408,186	-	-	408,186
Large blend	2,896,220	-	-	2,896,220
Foreign blend	2,042,480	-	-	2,042,480
Total exchange traded funds	5,346,886	-	-	5,346,886
Corporate bonds	1,893,512	-	-	1,893,512
	<u>\$ 8,714,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,714,480</u>

There were no transfers between the levels during the year. The Institute's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Pledges Receivable, Net

Pledges receivable, net consisted of the following:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 200,400	\$ 100,400
Due in one to five years	<u>351,600</u>	<u>152,000</u>
	552,000	252,400
Less:		
Allowance for uncollectible contributions	(33,120)	(15,144)
Unamortized discount	<u>(43,447)</u>	<u>(11,784)</u>
Net pledges receivable	<u><u>\$ 475,433</u></u>	<u><u>\$ 225,472</u></u>

The discount rate used in valuing pledges receivable ranged from 2.50% - 4.50% for the years ended December 31, 2019 and 2018, respectively. Pledges receivable are restricted due to a time restriction.

6 - Intangible Assets

The purchase of the name and program rights to "Rounds 4 Research" as described in Note 1 is being amortized over 10 years using the straight-line method half-year convention.

	<u>2019</u>	<u>2018</u>
"Rounds 4 Research"	\$ 75,000	\$ 75,000
Accumulated amortization	<u>(56,250)</u>	<u>(48,750)</u>
Net carrying value	<u><u>\$ 18,750</u></u>	<u><u>\$ 26,250</u></u>

Amortization expense was \$ 7,500 for the years ended December 31, 2019 and 2018 and is expected to be \$ 7,500 for each year over the next two years with \$ 3,750 in the third and final year.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - Endowment

The Institute's endowment consists of seven individual funds established for a variety of purposes. The endowment includes funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute's governing body has interpreted the State of Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original board-designated endowment. The board-designated endowment fund is classified as board-designated until amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate for expenditure or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Institute and the board-designated endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Institute
- (7) The investment policies of the Institute

The composition of net assets without donor restrictions – board designated by type of endowment fund at December 31, 2019 and 2018 was:

	<u>2019</u>	<u>2018</u>
Board-designated endowment funds	<u>\$ 10,592,211</u>	<u>\$ 8,730,193</u>

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Endowment (Continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	<u>\$ 8,730,193</u>	<u>\$ 8,888,513</u>
Investment return:		
Interest and dividends	262,634	96,358
Net appreciation (depreciation)	<u>1,584,550</u>	<u>(807,792)</u>
Total investment return (loss)	<u>1,847,184</u>	<u>(711,434)</u>
Contributions	2,092,013	2,429,810
Endowment expenditures	(1,927,183)	(1,732,673)
Appropriation of endowment assets for expenditures	<u>(149,996)</u>	<u>(144,023)</u>
Subtotal	<u>14,834</u>	<u>553,114</u>
Endowment net assets, end of year	<u><u>\$ 10,592,211</u></u>	<u><u>\$ 8,730,193</u></u>

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment. Under the Institute's policies, the primary investment goal is to maintain the level of initial assets contributed while providing for the generation of investment income to fund programs. The Institute's investment policy details other guidelines for investment assets. The Institute expects its endowment funds to provide an average rate of return of approximately 6.7% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

THE ENVIRONMENTAL INSTITUTE FOR GOLF

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - Endowment (Continued)

The Institute has a spending policy of appropriating for expenditures each year 4.50% of the funds in the investment portfolio. In establishing this policy, the Institute considered the long-term expected return on its endowment.

8 - Related Party Transactions

The Institute is related by common management to the Association. The Institute paid salaries amounting to approximately \$ 155,000 and \$ 148,500 for the years ended December 31, 2019 and 2018, respectively, for certain services provided by the Association. The Institute provided grants of \$ 1,162,500 and \$ 1,052,500 to the Association during the years ended December 31, 2019 and 2018, respectively. The grants were used specifically to fund environmental programs including research, continuing education, environmental outreach, advocacy, and information collection efforts. The Institute's scholarship efforts are funded directly through the Institute. The Association incurs certain indirect costs on behalf of the Institute. These indirect costs have been recorded within the financial statements as in-kind contributions and expenses.

The Institute had accounts payable of \$ 0 and \$ 18,109 due to the Association at December 31, 2019 and 2018, respectively.

The Institute had accounts receivable of \$ 19,920 and \$ 0 due from the Association at December 31, 2019 and 2018, respectively.

The Institute is related by common management to Golf Course Superintendents Association of America Communications, Inc. (Communications). No amounts were due to Communications at December 31, 2019 and 2018. The Institute had accounts receivable of \$ 2 and \$ 110 due from Communications at December 31, 2019 and 2018, respectively.

9 - Subsequent Events

The Institute has evaluated subsequent events through the date of the independent auditors' report, which is the date that the financial statements are available to be issued.