



Certified Public Accountants

GCSAA FOUNDATION

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

GCSAA FOUNDATION
FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
GCSAA Foundation
Lawrence, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of GCSAA Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019 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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the 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.

BT + Co., P.A.

May 28, 2021
Topeka, Kansas

GCSAA FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Cash	\$ -	\$ 130,210
Accounts receivable, net	11,186	20,726
Due from related parties	19,605	19,922
Prepaid expenses	1,842	45,478
Pledges receivable, net	390,920	475,433
Investments	11,833,884	10,634,753
Intangible assets, net	11,250	18,750
Total assets	\$ 12,268,687	\$ 11,345,272
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 109,351	\$ 87,053
Deferred revenue	50,974	190,575
Total liabilities	160,325	277,628
Net assets without donor restrictions - board designated	11,717,442	10,592,211
Net assets with donor restrictions	390,920	475,433
Total net assets	12,108,362	11,067,644
Total liabilities and net assets	\$ 12,268,687	\$ 11,345,272

See accompanying notes to financial statements.

GCSAA FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020	2019
Net assets without donor restrictions - board designated:		
Revenues:		
Individual contributions	\$ 165,431	\$ 162,946
Facility and chapter contributions	35,836	46,475
Industry contributions	58,151	165,292
Silent auction income	143,366	123,157
Scholarship and grant contributions	90,050	94,852
Online auction	326,613	438,273
Disaster relief	25,562	10,050
Investment income (loss)	1,698,930	1,847,184
Net assets released from restrictions - time	84,513	250,039
Total revenues	2,628,452	3,138,268
Expenses:		
Program services:		
Program activities	1,557,896	1,817,321
Supporting services:		
Management and general	39,697	43,492
Fundraising	194,969	216,366
Total expenses	1,792,562	2,077,179
Change in net assets without donor restrictions	835,890	1,061,089
Net assets with donor restrictions:		
Restricted contributions - major gifts	289,341	1,300,929
Net assets released from restrictions - time	(84,513)	(250,039)
Change in net assets with donor restrictions	204,828	1,050,890
Change in net assets	1,040,718	2,111,979
Net assets, beginning of year	11,067,644	8,955,665
Net assets, end of year	\$ 12,108,362	\$ 11,067,644

See accompanying notes to financial statements.

GCSAA FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	2020			
	Program Activities	Management and General	Fundraising	Total Expenses
Salaries, benefits and related expenses	\$ 37,572	\$ 37,572	\$ 75,144	\$ 150,288
Research	145,000	-	-	145,000
Education	421,926	-	-	421,926
Environmental programs	270,000	-	-	270,000
Advocacy	360,000	-	-	360,000
Board of trustees and other support	1,653	1,653	22,694	26,000
Travel	472	472	944	1,888
Marketing and promotion	-	-	31,493	31,493
Silent auction	-	-	12,551	12,551
Online auction	201,792	-	52,143	253,935
Disaster relief	25,562	-	-	25,562
Scholarships	93,919	-	-	93,919
	\$ 1,557,896	\$ 39,697	\$ 194,969	\$ 1,792,562

	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
	\$ 1,817,321	\$ 43,492	\$ 216,366	\$ 2,077,179

See accompanying notes to financial statements.

GCSAA FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,040,718	\$ 2,111,979
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	(1,662,737)	(1,584,550)
Changes in assets and liabilities:		
Accounts receivable	9,857	45,990
Pledges receivable	100,000	(299,600)
Change in allowance for uncollectible contributions	(6,000)	17,976
Change in unamortized discount	(9,487)	31,663
Prepaid expenses	43,636	(28,876)
Accounts payable and accrued expenses	22,298	(6,416)
Deferred revenue	(139,601)	160,990
	(593,816)	456,656
Net cash from operating activities		
Cash flows from investing activities:		
Purchase of investments	(219,575)	(998,765)
Proceeds from sale of investments	683,181	672,130
	463,606	(326,635)
Net cash from investing activities		
Net change in cash	(130,210)	130,021
Cash, beginning of year	130,210	189
Cash, end of year	\$ -	\$ 130,210

See accompanying notes to financial statements.

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1 - Organization and Summary of Significant Accounting Policies

Organization

GCSAA Foundation (the Foundation) 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 Foundation also funds a collegiate scholarship program. The Foundation 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 Foundation 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 Foundation 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 Foundation's accounts receivable are due from corporate sponsors for activities related to the Foundation's mission. The Foundation 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, 2020 and 2019.

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 \$ 27,120 and \$ 33,120 as of December 31, 2020 and 2019.

Investments

The Foundation'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 Foundation invests in mutual funds, corporate bonds and exchange traded funds.

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Foundation to provide a national online auction that solicits and sells donated golf tee times to raise funds on behalf of the Foundation 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.

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 Foundation, 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 Foundation, 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.

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Foundation has no net assets that are perpetual in nature or must be maintained in perpetuity.

As of December 31, 2020 and 2019, the Foundation had \$ 390,920 and \$ 475,433, respectively, in net assets with donor restriction due to time. Time restricted net assets of \$ 84,513 and \$ 250,039, respectively, were released from restrictions during 2020 and 2019 for fulfillment of time.

Revenue Recognition Policy

The Foundation recognizes revenue from auction sales when the products are transferred, and the services are provided. The Foundation 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 Foundation 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.

Income Taxes

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

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Form 990 filed by the Foundation 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 Foundation are no longer subject to examination for the fiscal years ended December 31, 2016 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 Foundation.

Risks and Uncertainties

The Foundation 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.

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 Foundation 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 Foundation. Accordingly, while management cannot quantify the financial and other impacts to the Foundation as of the report date, management believes that a material impact on the Foundation'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 Foundation incurs costs for promoting its programs and activities in various publications and media. These costs are expensed as incurred and amounted to \$ 11,367 and \$ 9,243 for the years ended December 31, 2020 and 2019, respectively.

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Recent Accounting Pronouncements

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. The Foundation has implemented the provisions of ASU 2018-13. There is no effect on net assets or investments in connection with the Foundation’s implementation of ASU 2018-13.

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, 2020 and 2019 are:

	2020	2019
Financial assets:		
Cash	\$ -	\$ 130,210
Accounts receivable, net	11,186	20,726
Pledges receivable, net	390,920	475,433
Due from related parties	19,605	19,922
Investments	11,833,884	10,634,753
Total financial assets	12,255,595	11,281,044
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted funds (see Note 1)	(390,920)	(475,433)
Less board designated net assets (see Notes 1 and 7)	(11,717,442)	(10,592,211)
Amount available for general expenditures within one year	\$ 147,233	\$ 213,400

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Foundation’s intention to invest those resources for the long-term support of the Foundation. 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.

As part of the Foundation’s liquidity management plan, the Foundation has established a promissory note with a local bank that provides a commercial line of credit of up to \$ 1,000,000. Additionally, 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 Foundation. Any

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Foundation are monitored by staff on a daily basis.

3 - Investments

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

	2020	2019
Cash	\$ 35,826	\$ 37,232
Mutual funds	2,042,898	1,867,090
Exchange traded funds	8,370,818	6,774,544
Corporate bonds	1,384,342	1,955,887
	\$ 11,833,884	\$ 10,634,753

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

	2020	2019
Interest and dividend income	\$ 36,193	\$ 262,634
Net realized and unrealized gain	1,662,737	1,584,550
Total investment income	\$ 1,698,930	\$ 1,847,184

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.

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2020 and 2019.

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 Foundation 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.

Fair values of assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	Year Ended December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	\$ 980,127	\$ -	\$ -	\$ 980,127
Large cap value	1,062,771	-	-	1,062,771
Total mutual funds	<u>2,042,898</u>	<u>-</u>	<u>-</u>	<u>2,042,898</u>
Exchange traded funds:				
Intermediate-term bond	519,209	-	-	519,209
Small cap value	584,973	-	-	584,973
Short-term government	182,582	-	-	182,582
Corporate Bond	185,343	-	-	185,343
Large blend	4,043,886	-	-	4,043,886
Foreign large blend	2,854,825	-	-	2,854,825
Total exchange traded funds	<u>8,370,818</u>	<u>-</u>	<u>-</u>	<u>8,370,818</u>
Corporate bonds	<u>1,384,342</u>	<u>-</u>	<u>-</u>	<u>1,384,342</u>
	<u>\$ 11,798,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,798,058</u>

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Year Ended December 31, 2019			
	Level 1	Level 2	Level 3	Total
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
	\$ 10,597,521	\$ -	\$ -	\$ 10,597,521

5 - Pledges Receivable, Net

Pledges receivable, net consisted of the following:

	2020	2019
Due within one year	\$ 200,400	\$ 200,400
Due in one to five years	251,600	351,600
	452,000	552,000
Less:		
Allowance for uncollectible contributions	(27,120)	(33,120)
Unamortized discount	(33,960)	(43,447)
	\$ 390,920	\$ 475,433

The discount rate used in valuing pledges receivable ranged from 2.50 % - 4.50 % for the years ended December 31, 2020 and 2019, respectively. Pledges receivable are restricted due to a time restriction.

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

	2020	2019
"Rounds 4 Research"	\$ 75,000	\$ 75,000
Accumulated amortization	(63,750)	(56,250)
Net carrying value	\$ 11,250	\$ 18,750

Amortization expense was \$ 7,500 for the years ended December 31, 2020 and 2019 and is expected to be \$ 7,500 in the next year and \$ 3,750 in the following and final year.

7 - Endowment

The Foundation’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 Foundation’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 Foundation 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 Foundation
- (7) The investment policies of the Foundation

The composition of net assets without donor restrictions – board designated by type of endowment fund at December 31, 2020 and 2019 was:

	2020	2019
Board-designated endowment funds	\$ 11,717,442	\$ 10,592,211

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were:

	2020	2019
Endowment net assets, beginning of year	\$ 10,592,211	\$ 8,730,193
Investment return:		
Interest and dividends	36,193	262,634
Net appreciation	1,662,737	1,584,550
Total investment return	1,698,930	1,847,184
Contributions	1,218,863	2,092,013
Endowment expenditures	(1,638,209)	(1,927,183)
Appropriation of endowment assets for expenditures	(154,353)	(149,996)
Subtotal	(573,699)	14,834
Endowment net assets, end of year	\$ 11,717,442	\$ 10,592,211

The Foundation 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 Foundation'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 Foundation's investment policy details other guidelines for investment assets. The Foundation 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 Foundation 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 Foundation 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 Foundation has a spending policy of appropriating for expenditures each year 4.50% - 5.00% of the funds in the investment portfolio. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

8 - Related Party Transactions

The Foundation is related by common management to the Association. The Foundation paid salaries amounting to approximately \$ 150,000 and \$ 155,000 for the years ended December 31, 2020 and 2019, respectively, for certain services provided by the Association. The Foundation provided grants of \$ 1,035,000 and \$ 1,162,500 to the Association during the years ended December 31, 2020 and 2019, respectively. The grants were used specifically to fund environmental programs including research,

GCSAA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

continuing education, environmental outreach, advocacy, and information collection efforts. The Foundation's scholarship efforts are funded directly through the Foundation. The Association incurs certain indirect costs on behalf of the Foundation. These indirect costs have been recorded within the financial statements as in-kind contributions and expenses.

The Foundation had accounts receivable of \$ 16,972 and \$ 19,920 due from the Association at December 31, 2020 and 2019, respectively.

The Foundation is related by common management to Golf Course Superintendents Association of America Communications, Inc. (Communications). The Foundation had accounts receivable of \$ 2,633 and \$ 2 due from Communications at December 31, 2020 and 2019, respectively.

9 - Line of Credit

The Foundation established a line of credit with a bank in 2020 in the amount of \$ 1,000,000. No money was borrowed against the line at December 31, 2020. The line is secured by investments and the interest rate at December 31, 2020 was 2.00%. The line of credit expires on June 30, 2021.

10 - Subsequent Events

The Foundation 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.