BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

The Boards of Directors
Golf Course Superintendents Association of America and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Golf Course Superintendents Association of America and Subsidiaries (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements, (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on January 1, 2018, the Organization adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Berberich Trahan + Co., P.A.

May 28, 2019
Topeka, Kansas

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 737,211	$ 1,515,732
Accounts receivable, less allowance for doubtful accounts of $ 5,000 and $ 10,000 in 2018 and 2017, respectively	890,930	1,203,974
Due from related party	17,999	16,500
Inventory, net of valuation allowance	183,491	199,414
Investments	7,602,648	8,162,288
Other assets	1,416,403	866,010
Property and equipment, net of accumulated depreciation	5,595,280	5,914,983
Software, net of accumulated amortization	718,309	626,000
Total assets	$ 17,162,271	$ 18,504,901
LIABILITIES AND NET ASSETS		
Accounts payable	$ 774,059	$ 634,039
Accrued expenses	605,411	530,796
Deferred revenue	8,412,787	8,544,839
Note payable	818,070	1,068,455
Total liabilities	10,610,327	10,778,129
Net assets without donor restrictions	6,551,944	7,726,772
Total liabilities and net assets	$ 17,162,271	$ 18,504,901

See accompanying notes to consolidated financial statements.

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	2018	2017
Net assets without donor restrictions:		
Revenues:		
Advertising and marketing opportunities	$ 2,529,265	$ 2,505,955
Conference and show	8,781,063	8,876,477
Membership dues	4,297,534	4,269,141
Contributions	11,373	1,635
Investment income (loss)	(657,582)	1,419,672
Professional development	1,263,342	1,436,142
Total revenues	16,224,995	18,509,022
Expenses:		
Program services:		
Education, environmental programs, GCM and website	5,456,083	5,127,349
Conference and show	4,537,409	4,901,339
Member and chapter services	2,607,707	2,448,743
Career development, marketing and branding and media relations	2,205,347	2,140,635
Total program services	14,806,546	14,618,066
Support services:		
Management and general	3,120,750	3,164,539
Total expenses	17,927,296	17,782,605
Changes in net assets before other income (expense)	(1,702,301)	726,417
Other income (expense):		
Interest expense	(39,856)	(39,362)
Benevolence fund replenishment (expense)	2,920	(2,920)
Rent income	533,589	520,529
Gain (loss) on disposal of assets	4,522	(84,740)
Bad debt expense	5,000	-
Other	21,298	10,306
Total other income (expense)	527,473	403,813
Change in net assets	(1,174,828)	1,130,230
Net assets, beginning of year	7,726,772	6,596,542
Net assets, end of year	$ 6,551,944	$ 7,726,772

See accompanying notes to consolidated financial statements.

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services							
	Educational and Environmental	Conference and Show	Member and Chapter	Career and Marketing	Management and General	GCSAA Communications, Inc.	GCSAA PAC	Total Expenses
Salaries and benefits	$ 1,720,057	$ 1,196,365	$ 1,590,586	$ 872,364	$ 1,299,944	$ 760,186	$ -	$ 7,439,502
Conference events	569,801	2,382,522	-	-	-	122,984	-	3,075,307
Travel, task groups and meetings	438,464	178,999	503,238	90,960	-	100,755	-	1,312,416
Marketing and communications	67,740	104,281	481	989,695	-	-	-	1,162,197
Depreciation	50,924	42,380	24,324	20,598	888,550	-	-	1,026,776
Professional fees, taxes and insurance	-	109,056	197,267	-	539,400	-	-	845,723
Information technology	312,880	247,686	130,000	110,087	35,461	-	-	836,114
Grants, awards and other support	399,508	115,859	51,501	32,009	-	-	3,465	602,342
Magazine content and production	-	-	-	-	-	551,583	-	551,583
Sales and business development	-	-	-	-	-	342,029	-	342,029
Professional development	101,448	37,811	49,391	63,491	61,365	20,609	-	334,115
Utilities and maintenance	-	-	-	-	280,737	-	-	280,737
Supplies	9,945	24,355	57,454	1,293	15,293	10,115	-	118,455
Total	$ 3,670,767	$ 4,439,314	$ 2,604,242	$ 2,180,497	$ 3,120,750	$ 1,908,261	$ 3,465	$ 17,927,296

See accompanying notes to consolidated financial statements.

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,174,828)	$ 1,130,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,026,776	1,096,089
Gain (loss) on disposal of property and equipment	(4,522)	84,740
Net realized and unrealized (gain) loss on investments	845,536	(1,351,613)
Changes in assets and liabilities:		
Accounts receivable	313,044	(348,953)
Due from related party	(1,514)	40,722
Inventory	17,686	(577)
Change in reserve for obsolescence	(1,763)	(5,542)
Other assets	(550,393)	328,839
Accounts payable	140,020	(78,877)
Due to related party	15	(343)
Accrued expenses	74,615	(75,273)
Deferred revenue	(132,052)	189,298
Net cash provided by operating activities	552,620	1,008,740
Cash flows from investing activities:		
Proceeds from sales of investments	1,200,345	13,191,975
Purchase of investments	(1,486,241)	(13,277,252)
Proceeds from disposal of property and equipment	20,403	22,629
Purchase of property and equipment	(413,093)	(142,221)
Purchase of software	(402,170)	(297,232)
Net cash used in investing activities	(1,080,756)	(502,101)
Cash flows from financing activities:		
Payments of debt	(250,385)	(250,309)
Proceeds of line of credit	650,000	500,000
Payments on line of credit	(650,000)	(500,000)
Net cash used in financing activities	(250,385)	(250,309)
Net increase (decrease) in cash and cash equivalents	(778,521)	256,330
Cash and cash equivalents, beginning of year	1,515,732	1,259,402
Cash and cash equivalents, end of year	$ 737,211	$ 1,515,732
ADDITIONAL CASH FLOW INFORMATION		
Cash paid for interest	$ 39,856	$ 39,362

See accompanying notes to consolidated financial statements.

1 - Organization and Summary of Significant Accounting Policies

Organization

The Golf Course Superintendents Association of America (the Association) and Subsidiaries, GCSAA Communications, Inc. (Communications), and GCSAA Political Action Committee (GCSAAPAC) (collectively, the Organization) provide continuing education, information services, publications and representation for their members, the golf course superintendents' profession and the golf course and turf grass industry. The Association's members are primarily golf course superintendents, assistant superintendents, turf grass students, university educators and industry representatives.

Principles of Consolidation

The consolidated financial statements include the accounts of the Association, Communications and the GCSAAPAC. All significant intercompany transactions and accounts have been eliminated. The Environmental Institute for Golf (the Institute) is related to the Organization through common management but is not included in the consolidation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and investments with an original maturity of less than three months.

Deposits

The Organization maintains deposits in banks. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $ 250,000 per bank. The Organization's deposits may have occasionally exceeded the FDIC insurance limits during the years ended December 31, 2018 and 2017, respectively.

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

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers. The majority of the Organization's accounts receivable are due from magazine advertisers and conference exhibitors. The Organization records an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable from magazine advertisers are ordinarily due 30 days after the issuance of the invoice. Accounts receivable from conference exhibitors are due on contractual payment terms.

Accounts past due more than 120 days are considered delinquent and the customer's account is put on hold to prevent future outstanding invoices. The Organization sends accounts to a collection agency for assistance in the collection process after internal efforts do not produce results. If all collection efforts are exhausted, the account is written off based on the individual credit evaluation and specific circumstances of the customer and the customer's account remains on hold to prevent future sales.

Inventory Valuation

Inventory consists of books, reference materials, backpacks, golf gear, and other various branded merchandise. Inventories are stated at the lower of cost or market. Cost has been determined using the first-in, first-out basis. Market is based on realizable value, less all selling expenses and normal gross profit.

Investments

The Organization'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 Organization invests in mutual funds, exchange treaded funds, and corporate bonds.

Investment return includes dividend, interest and other income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Unrealized gains and losses are included in the changes in net assets.

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

Other Assets

Other assets consist primarily of prepaid expenses and deposits paid in advance of the annual conference and show.

Property and Equipment/Software

Property and equipment, consisting of land, landscaping and irrigation systems, building and improvements, machinery and equipment, furniture and fixtures, computer hardware and software are carried at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Accrued Vacation

Vacation is accrued at ten days per year for full time employees (five days per year for part time employees) with two years or less of employment, twelve days per year for full time employees (six days per year for part time employees) with two to four years of employment, fifteen days per year for full time employees (seven and one half days per year for part time employees) with four to seven years of employment and twenty days per year for full time employees (ten days per year for part time employees) with seven or more years of employment. The maximum amount to be paid out upon termination is capped at 160 hours. Upon termination, employees with one year or less of service are ineligible for a vacation pay out, less than two years of service receive 50% of their accrued vacation balance, and after two years are eligible for 100% of their accrued vacation balance.

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

Deferred Revenue

Revenues from fees for the annual conference and show, collected in advance, are deferred and recognized upon fulfillment of the related contractual obligation. Expenses are recognized in the period the conference and show occurs. Membership fees collected in advance are deferred and recognized as revenue over the term of the membership. Subscriptions are recognized ratably in the applicable subscription period. Advertising revenues are recognized as revenue when publications are issued. Rent income is recognized on the straight-line basis and results from leased office space in the Organization's headquarters. Revenues from surveys and other specific projects are recognized ratably as their respective costs are incurred or milestones are met. All other revenue is recognized when it is realized or realizable and earned.

Taxes

The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Association has been classified as other than a private foundation. GCSAAPAC is exempt from federal income tax under Section 527 of the Internal Revenue Code. Communications is subject to federal and state income tax; however, at December 31, 2018 and 2017, no income tax is reported in these financial statements since Communications has net operating loss carryforwards available to offset taxable income.

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

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in the Income Taxes Topic of the FASB Accounting Standards Codification, ASC 740. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

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 donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets of a Benevolence Fund of $ 20,000 as of December 31, 2018 and 2017, established in accordance with the Association's bylaws and funded by a portion of the annual dues paid by the Association's members. The President, Vice President and Secretary/Treasurer of the Board of Directors are the Trustees of this fund.

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Association must continue to use the resources in accordance with the donor's instructions. At December 31, 2018 and 2017, the Association had no net assets with donor restrictions.

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.

Association Functional 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 Association.

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

Risks and Uncertainties

The Organization maintains a portion of its total assets in a combination of corporate bonds, mutual funds 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 consolidated statements of financial position.

Recent Accounting Pronouncement

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. The Organization has adopted this ASU for these financial statements. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and availability and liquidity disclosures as allowed by the standard.

Change in Accounting Principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about availability and liquidity of resources (see Note 2).
- The statement of functional expenses was added to the financial statements.

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

Change in Accounting Principles (Continued)

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 7,726,772	$ -
Net assets without donor restrictions	-	7,726,772
	$ 7,726,772	$ 7,726,772

Pending Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Management is currently evaluating the effect that the standard will have on the financial statements.

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

Pending Accounting Pronouncements (Continued)

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. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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, 2018 are:

Financial assets:	
Cash and cash equivalents	$ 737,211
Accounts receivable, net	890,930
Inventory, net of valuation allowance	183,491
Investments	7,602,648
Due from related party	17,999
Total financial assets	9,432,279
Less financial assets not available within one year:	
Long-term investments	(1,731,374)
Board designated net assets (see Note 1)	(20,000)
Amount available for general expenditures within one year	$ 7,680,905

2 - Availability and Liquidity (Continued)

The above table reflects long-term investments as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Boards of Directors could appropriate resources from long-term investments available for general use.

As part of its liquidity management plan, the Organization has established a promissory note with a local bank that provides a commercial line of credit of up to $ 2,000,000. The promissory note with the bank is updated on an annual basis and additional funding could be requested, if needed, at any time. Cash needs for the Organization are monitored by staff on a daily basis.

3 - Investments

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

	2018	2017
Cash and certificates of deposit	$ 16,220	$ 100,060
Mutual funds	1,318,628	1,456,525
Exchange traded funds	4,536,426	5,149,821
Corporate bonds	1,731,374	1,455,882
	$ 7,602,648	$ 8,162,288

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

	2018	2017
Interest and dividend income	$ 187,954	$ 68,059
Net realized and unrealized gains (losses)	(845,536)	1,351,613
Total investment income (loss)	$ (657,582)	$ 1,419,672

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, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization 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 Organization are deemed to be actively traded.

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

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

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 Organization 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.

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

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Money market	$ 80,500	$ -	$ -	$ 80,500
International	632,084	-	-	632,084
Large cap value	606,044	-	-	606,044
Total mutual funds	1,318,628	-	-	1,318,628
Exchange traded funds:				
International	1,722,367	-	-	1,722,367
Small cap value	346,971	-	-	346,971
Stock market	2,467,088	-	-	2,467,088
Total exchange traded funds	4,536,426	-	-	4,536,426
Corporate bonds	1,731,374	-	-	1,731,374
	$ 7,586,428	$ -	$ -	$ 7,586,428

4 - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Intermediate term bond	$ 1,984	$ -	$ -	$ 1,984
Money market	76,450	-	-	76,450
International	648,889	-	-	648,889
Large cap value	729,202	-	-	729,202
Total mutual funds	1,456,525	-	-	1,456,525
Exchange traded funds:				
International	1,930,416	-	-	1,930,416
Short term bond	31,086	-	-	31,086
Small cap value	407,634	-	-	407,634
Stock market	2,780,685	-	-	2,780,685
Total exchange traded funds	5,149,821	-	-	5,149,821
Corporate bonds	1,455,882	-	-	1,455,882
	$ 8,062,228	$ -	$ -	$ 8,062,228

There were no transfers between the levels during the year. The Organization'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.

5 - Inventory

Inventory consists of the following at December 31, 2018 and 2017:

	2018	2017
Inventories - books and reference materials	$ 78,395	$ 82,597
Inventories - golf gear and branded merchandise	136,826	150,030
Inventories - backpacks	2,824	3,104
Valuation allowance	(34,554)	(36,317)
Total	$ 183,491	$ 199,414

6 - Property and Equipment

Property and equipment as of December 31, 2018 and 2017 consists of the following:

	2018	2017	Estimated Useful Lives
Land	$ 597,754	$ 597,754	
Landscaping	289,776	289,776	5-40 years
Irrigation systems	57,269	57,269	5-40 years
Buildings and improvements	9,372,703	9,491,243	5-40 years
Furniture and fixtures	1,052,279	1,033,406	3-20 years
Machinery and equipment	240,522	265,092	3-10 years
Computer hardware	1,728,186	1,610,152	2-10 years
Total	13,338,489	13,344,692	
Accumulated depreciation	(7,743,209)	(7,429,709)	
Net property and equipment	$ 5,595,280	$ 5,914,983	

Depreciation expense was $ 716,915 and $ 715,063 for the years ended December 31, 2018 and 2017, respectively.

7 - Software

The carrying basis and accumulated amortization of software at December 31, 2018 and 2017 were:

	2018	2017
Software, at cost	$ 2,766,755	$ 2,857,850
Accumulated amortization	(2,048,446)	(2,231,850)
Net software	$ 718,309	$ 626,000

7 - Software (Continued)

Amortization expense was $ 309,861 and $ 381,026 for the years ended December 31, 2018 and 2017, respectively. Estimated amortization expense in future years is as follows:

Years Ending December 31,	
2019	$ 228,692
2020	168,728
2021	128,794
2022	77,764
2023	56,204
Thereafter	58,127
	$ 718,309

8 - Deferred Revenue

As of December 31, 2018 and 2017, deferred revenue consists of the following:

	2018	2017
Deferred membership dues	$ 2,111,482	$ 2,154,675
Deferred conference	5,986,835	6,183,859
Deferred subscription	3,730	4,527
Deferred gift certificate	59,477	49,370
Deferred advertising	68,710	64,155
Deferred rent	44,820	44,268
Deferred surveys and other projects	8,560	25,180
Other	129,173	18,805
Total deferred revenue	$ 8,412,787	$ 8,544,839

9 - Operating Leases

The Organization leases a copier/printer under an operating lease that expires in 2020 and a mail machine under an operating lease that expires in 2022. Equipment rent expense for both operating leases was $ 24,972 and $ 25,577 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,		
2019	$	23,311
2020		19,910
2021		2,904
2022		1,210
	$	47,335

The Organization subleases portions of the office space on a yearly basis. Annual sublease income for 2018 and 2017 was $ 533,589 and $ 520,529, respectively. The Organization holds security deposits of $ 33,476 and $ 33,676 as of December 31, 2018 and 2017, respectively. Future annual sublease income is as follows:

Years Ending December 31,		
2019	$	540,900
2020		546,047
2021		381,294
2022		24,288
	$	1,492,529

10 - Line of Credit

The Association has a line of credit with a bank in the amount of $ 2,000,000. At December 31, 2018 and 2017, respectively, no amounts were borrowed against the line. The line is secured by investments and carries an interest rate that varies at the prime rate less 1%. The interest rate at December 31, 2018 and 2017 was 4.50% and 3.50%, respectively. The line expires on June 30, 2019.

11 - Note Payable

The note payable consists of the following at December 31:

	2018	2017
Note payable-Commerce Bank, interest 4.50% for 2018 and 3.50% for 2017, monthly payment $ 23,967, maturity date October 17, 2021, secured by business investments	$ 818,070	$ 1,068,455

Future maturities of the note payable are as follows:

Years Ending December 31,	
2019	$ 255,611
2020	267,436
2021	295,023
	$ 818,070

12 - Benefit Plans

The Organization has two defined contribution benefit plans (the Plans) that cover substantially all of its employees. One plan covers the Association's employees and the other covers the employees of Communications. The GCSAA's and Communications' Board of Directors determine the contributions to be made to the Plans. Contributions cannot exceed 15% of each eligible employee's compensation during each plan year.

The Organization provided dollar-for-dollar matching contributions up to 4.00% of each eligible employee's compensation based upon participation in the Plans for the years ended December 31, 2018 and 2017. Total expense related to the Plans during the years ended December 31, 2018 and 2017 was $ 217,285 and $ 201,295, respectively.

13 - Income Taxes

Communications recognizes deferred income taxes to reflect the impact of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

Communications had experienced operating losses for many years, up through 2010, which created a future tax benefit. Communications has established a valuation allowance for the entire future tax benefit.

13 - Income Taxes (Continued)

The tax effects of temporary differences related to deferred taxes and the related valuation allowance were:

	2018	2017
Allowance for doubtful accounts	$ 840	$ 2,720
Inventory valuation allowance	7,256	12,348
Net operating loss carryforwards	440,131	682,836
Other	3,681	10,212
Net deferred tax asset before valuation allowance	451,908	708,116
Valuation allowance:		
Beginning balance	(708,116)	(715,474)
Decrease during the period	256,208	7,358
Ending balance	(451,908)	(708,116)
Net deferred tax asset	$ -	$ -

As of December 31, 2018, Communications has unused operating loss carryforwards of $ 1,995,950 which can be carried forward indefinitely.

14 - Related Party Transactions

The Association is related by common management to the Institute. The Institute paid salaries amounting to approximately $ 148,500 and $ 138,000 for the years ended December 31, 2018 and 2017, respectively, for certain services provided by the Association. The Association received grants from the Institute of $ 1,052,500 and $ 914,500 during the years ended December 31, 2018 and 2017, respectively. The grants were used specifically to fund environmental programs, research, continuing education, advocacy, and information collection efforts. The Association incurs certain indirect costs on behalf of the Institute.

14 - Related Party Transactions (Continued)

The Association had accounts receivable of $ 18,109 and $ 16,595 due from the Institute at December 31, 2018 and 2017, respectively.

Communications had accounts payable of $ 110 and $ 95 due to the Institute at December 31, 2018 and 2017, respectively.

15 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor’s report, which is the date that the financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

	Golf Course Superintendents Association of America	GCSAA Communications, Inc.	GCSAAPAC	Eliminations	Consolidated
ASSETS					
Cash	$ 701,377	$ 26,355	$ 9,479	$ -	$ 737,211
Accounts receivable, less allowance for doubtful accounts $ (5,000)	506,467	384,463	-	-	890,930
Due from related party	18,109	(110)	-	-	17,999
Intercompany accounts receivable	3,852,183	-	-	(3,852,183)	-
Inventory, net	9,550	173,941	-	-	183,491
Investments	7,602,648	-	-	-	7,602,648
Other assets	1,393,004	23,399	-	-	1,416,403
Property and equipment, net	5,595,280	-	-	-	5,595,280
Software, net	718,309	-	-	-	718,309
Investment in subsidiary	(3,537,277)	-	-	3,537,277	-
Total assets	$ 16,859,650	$ 608,048	$ 9,479	$ (314,906)	$ 17,162,271
LIABILITIES					
Accounts payable	$ 744,873	$ 29,186	$ -	$ -	$ 774,059
Accrued expenses	533,372	72,039	-	-	605,411
Intercompany accounts payable	-	3,852,183	-	(3,852,183)	-
Deferred revenue	8,220,870	191,917	-	-	8,412,787
Note payable	818,070	-	-	-	818,070
Total liabilities	10,317,185	4,145,325	-	(3,852,183)	10,610,327
NET ASSETS					
Organization net assets without donor restrictions	6,542,465	-	9,479	-	6,551,944
Common stock	-	85,000	-	(85,000)	-
Accumulated deficit	-	(3,622,277)	-	3,622,277	-
Total net assets	6,542,465	(3,537,277)	9,479	3,537,277	6,551,944
Total liabilities and net assets	$ 16,859,650	$ 608,048	$ 9,479	$ (314,906)	$ 17,162,271

See independent auditor’s report.

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Golf Course Superintendents Association of America	GCSAA Communications, Inc.	GCSAAPAC	Eliminations	Consolidated
ASSETS					
Cash	$ 1,498,433	$ 15,728	$ 1,571	$ -	$ 1,515,732
Accounts receivable, less allowance for doubtful accounts $ (10,000)	920,155	283,819	-	-	1,203,974
Due from related party	16,595	(95)	-	-	16,500
Intercompany accounts receivable	3,706,046	-	-	(3,706,046)	-
Inventory, net	7,647	191,767	-	-	199,414
Investments	8,162,288	-	-	-	8,162,288
Other assets	849,562	16,448	-	-	866,010
Property and equipment, net	5,914,983	-	-	-	5,914,983
Software, net	626,000	-	-	-	626,000
Investment in subsidiary	(3,437,364)	-	-	3,437,364	-
Total assets	$ 18,264,345	$ 507,667	$ 1,571	$ (268,682)	$ 18,504,901
LIABILITIES					
Accounts payable	$ 590,940	$ 43,099	$ -	$ -	$ 634,039
Accrued expenses	461,282	69,514	-	-	530,796
Intercompany accounts payable	-	3,706,046	-	(3,706,046)	-
Deferred revenue	8,418,467	126,372	-	-	8,544,839
Note payable	1,068,455	-	-	-	1,068,455
Total liabilities	10,539,144	3,945,031	-	(3,706,046)	10,778,129
NET ASSETS					
Organization net assets without donor restrictions	7,725,201	-	1,571	-	7,726,772
Common stock	-	85,000	-	(85,000)	-
Accumulated deficit	-	(3,522,364)	-	3,522,364	-
Total net assets	7,725,201	(3,437,364)	1,571	3,437,364	7,726,772
Total liabilities and net assets	$ 18,264,345	$ 507,667	$ 1,571	$ (268,682)	$ 18,504,901

See independent auditor's report.

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Golf Course Superintendents Association of America	GCSAA Communications, Inc.	GCSAAPAC	Eliminations	Consolidated
Net assets without donor restrictions:					
Revenues:					
Advertising and marketing opportunities	$ 56,200	$ 2,473,065	$ -	$ -	$ 2,529,265
Conference and show	8,543,806	237,257	-	-	8,781,063
Membership dues	4,297,534	-	-	-	4,297,534
Contributions	-	-	11,373	-	11,373
Investment income	(657,582)	-	-	-	(657,582)
Professional development	1,182,136	81,206	-	-	1,263,342
Total revenues	13,422,094	2,791,528	11,373	-	16,224,995
Expenses:					
Program services:					
Education, environmental programs, GCM and website	3,670,767	1,785,316	-	-	5,456,083
Conference and show	4,439,314	98,095	-	-	4,537,409
Member and chapter services	2,604,242	-	3,465	-	2,607,707
Career development, marketing and branding and media relations	2,180,497	24,850	-	-	2,205,347
Total program services	12,894,820	1,908,261	3,465	-	14,806,546
Support services:					
Management and general	3,120,750	-	-	-	3,120,750
Total expenses	16,015,570	1,908,261	3,465	-	17,927,296
Change in net assets before other income (expense)	(2,593,476)	883,267	7,908	-	(1,702,301)
Other income (expense):					
Intercompany income (expense)	987,180	(987,180)	-	-	-
Interest expense	(39,856)	-	-	-	(39,856)
Benevolent fund replenishment	2,920	-	-	-	2,920
Rent income	533,589	-	-	-	533,589
Equity in net income (loss) of Communications	(99,913)	-	-	99,913	-
Loss on disposal of assets	4,522	-	-	-	4,522
Bad debt expense	1,000	4,000	-	-	5,000
Other	21,298	-	-	-	21,298
Total other income (expense)	1,410,740	(983,180)	-	99,913	527,473
Change in net assets without donor restrictions	(1,182,736)	(99,913)	7,908	99,913	(1,174,828)
Net assets, beginning of year	7,725,201	(3,437,364)	1,571	3,437,364	7,726,772
Net assets, end of year	$ 6,542,465	$ (3,537,277)	$ 9,479	$ 3,537,277	$ 6,551,944

See independent auditor's report.

GOLF COURSE SUPERINTENDENTS ASSOCIATION OF AMERICA
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	Golf Course Superintendents Association of America	GCSAA Communications, Inc.	GCSAAPAC	Eliminations	Consolidated
Net assets without donor restrictions:					
Revenues:					
Advertising and marketing opportunities	$ 64,000	$ 2,441,955	$ -	$ -	$ 2,505,955
Conference and show	8,641,262	235,215	-	-	8,876,477
Membership dues	4,269,141	-	-	-	4,269,141
Contributions	-	-	1,635	-	1,635
Investment income	1,419,672	-	-	-	1,419,672
Professional development	1,348,171	87,971	-	-	1,436,142
Total revenues	15,742,246	2,765,141	1,635	-	18,509,022
Expenses:					
Program services:					
Education, environmental programs, GCM and website	3,419,367	1,707,982	-	-	5,127,349
Conference and show	4,790,574	110,765	-	-	4,901,339
Member and chapter services	2,448,679	-	64	-	2,448,743
Career development, marketing and branding and media relations	2,107,871	32,764	-	-	2,140,635
Total program services	12,766,491	1,851,511	64	-	14,618,066
Support services:					
Management and general	3,164,539	-	-	-	3,164,539
Total expenses	15,931,030	1,851,511	64	-	17,782,605
Change in net assets before other income (expense)	(188,784)	913,630	1,571	-	726,417
Other income (expense):					
Intercompany income (expense)	923,708	(923,708)	-	-	-
Interest expense	(39,362)	-	-	-	(39,362)
Benevolent fund expense	(2,920)	-	-	-	(2,920)
Rent income	520,529	-	-	-	520,529
Equity in net income (loss) of Communications	(10,078)	-	-	10,078	-
Loss on disposal of assets	(84,740)	-	-	-	(84,740)
Other	10,306	-	-	-	10,306
Total other income (expense)	1,317,443	(923,708)	-	10,078	403,813
Change in net assets without donor restrictions	1,128,659	(10,078)	1,571	10,078	1,130,230
Net assets, beginning of year	6,596,542	(3,427,286)	-	3,427,286	6,596,542
Net assets, end of year	$ 7,725,201	$ (3,437,364)	$ 1,571	$ 3,437,364	$ 7,726,772

See independent auditor’s report.