

# **The Environmental Institute for Golf**

Accountants' Report and Financial Statements

December 31, 2008 and 2007



**The Environmental Institute for Golf**  
**December 31, 2008 and 2007**

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## Independent Accountants' Report

Board of Trustees  
The Environmental Institute for Golf  
Lawrence, Kansas

We have audited the accompanying statements of financial position of The Environmental Institute for Golf as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of The Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Environmental Institute for Golf as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, in 2008 The Institute changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows, and is not a required part of the basic financial statements. The supplementary information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*BKD, LLP*

May 13, 2009

**The Environmental Institute for Golf**  
**Statements of Financial Position**  
**December 31, 2008 and 2007**  
**(with Schedule of Supplemental Combining Information for 2008)**

**Assets**

	Unrestricted Fund	Quasi-Endowment Funds						Temporarily Restricted	Total all Funds	
		Robert Trent Jones Fund	Investing in the Beauty of Golf Fund	Scotts Company Fund	Michael Hurdzan Fund	R.A. Moore Fund	Williams Leadership Fund		2008	2007
Cash and cash equivalents	\$ (702,775)	\$ 1,429	\$ 706,454	\$ 1,384	\$ 21,640	\$ 26,236	\$ 5,788	\$ -	\$ 60,156	\$ 5,158
Accounts receivable	3,950	-	-	-	-	-	-	-	3,950	100,888
Pledge receivables, net	-	-	-	-	-	-	-	918,246	918,246	1,571,572
Prepaid expenses and other assets	37,933	-	-	-	-	-	-	-	37,933	25,403
Investments	42,577	1,049,374	2,576,797	137,977	99,842	61,304	36,931	-	4,004,802	6,697,264
<b>Total assets</b>	<b>\$ (618,315)</b>	<b>\$ 1,050,803</b>	<b>\$ 3,283,251</b>	<b>\$ 139,361</b>	<b>\$ 121,482</b>	<b>\$ 87,540</b>	<b>\$ 42,719</b>	<b>\$ 918,246</b>	<b>\$ 5,025,087</b>	<b>\$ 8,400,285</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 340,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 340,643	\$ 761,991
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**Net Assets**

Unrestricted	(958,958)	-	-	-	-	-	-	-	(958,958)	(885,872)
Quasi-endowment - Board-designated	-	1,050,803	3,283,251	139,361	121,482	87,540	42,719	-	4,725,156	6,952,594
Total unrestricted net assets	(958,958)	1,050,803	3,283,251	139,361	121,482	87,540	42,719	-	3,766,198	6,066,722
Temporarily restricted	-	-	-	-	-	-	-	918,246	918,246	1,571,572
<b>Total net assets</b>	<b>(958,958)</b>	<b>1,050,803</b>	<b>3,283,251</b>	<b>139,361</b>	<b>121,482</b>	<b>87,540</b>	<b>42,719</b>	<b>918,246</b>	<b>4,684,444</b>	<b>7,638,294</b>
<b>Total liabilities and net assets</b>	<b>\$ (618,315)</b>	<b>\$ 1,050,803</b>	<b>\$ 3,283,251</b>	<b>\$ 139,361</b>	<b>\$ 121,482</b>	<b>\$ 87,540</b>	<b>\$ 42,719</b>	<b>\$ 918,246</b>	<b>\$ 5,025,087</b>	<b>\$ 8,400,285</b>

**The Environmental Institute for Golf**  
**Statements of Activities**  
**Years Ended December 31, 2008 and 2007**  
**(with Supplemental Schedule of Combining Information for 2008)**

	Quasi-Endowment Funds							Total all Funds		
	Unrestricted Fund	Robert Trent Jones Fund	Investing in the Beauty of Golf Fund	Scotts Company Fund	Michael Hurdzan Fund	R.A. Moore Fund	Williams Leadership Fund	Temporarily Restricted	2008	2007
<b>Revenue</b>										
Annual appeal	\$ 369,343	\$ 18,600	\$ -	\$ -	\$ 2,724	\$ 10,500	\$ 6,710	\$ -	\$ 407,877	\$ 444,020
Investment income	(20,327)	(549,683)	(1,252,323)	(74,943)	(47,666)	(29,268)	(17,631)	-	(1,991,841)	412,405
Silent Auction income	138,452	-	-	-	-	-	-	-	138,452	138,920
Watson Fellowship	-	25,000	-	-	-	-	-	-	25,000	25,000
Environmental Steward Award	11,500	-	-	-	-	-	-	-	11,500	11,500
Legacy Awards	-	15,500	-	-	-	-	-	-	15,500	15,500
Valderrama Award	-	10,000	-	-	-	-	-	-	10,000	10,000
Royal Spanish Golf Scholarship	-	55,000	-	-	-	-	-	-	55,000	55,000
Major gifts	-	-	-	-	-	-	-	288,554	288,554	1,349,077
Research Grant	31,250	-	-	-	-	-	-	-	31,250	45,000
Total revenues and other support	530,218	(425,583)	(1,252,323)	(74,943)	(44,942)	(18,768)	(10,921)	288,554	(1,008,708)	2,506,422
<b>Interfund Transfer</b>	230,937	-	(226,218)	-	-	-	(4,719)	-	-	-
<b>Release from Restrictions</b>	893,880	-	-	-	-	-	-	(893,880)	-	-
<b>Expenses and Losses</b>										
Program activities	1,376,220	157,955	-	7,566	-	-	3,500	-	1,545,241	1,700,547
Supporting activities										
Management and general	72,595	-	-	-	-	-	-	-	72,595	83,749
Fundraising	279,306	-	-	-	-	-	-	48,000	327,306	293,501
Total supporting expenses	351,901	-	-	-	-	-	-	48,000	399,901	377,250
Total expenses and losses	1,728,121	157,955	-	7,566	-	-	3,500	48,000	1,945,142	2,077,797
<b>Change in Net Assets</b>	(73,086)	(583,538)	(1,478,541)	(82,509)	(44,942)	(18,768)	(19,140)	(653,326)	(2,953,850)	428,625
<b>Net Assets, Beginning of Year</b>	(885,872)	1,634,341	4,761,792	221,870	166,424	106,308	61,859	1,571,572	7,638,294	7,209,669
<b>Net Assets, End of Year</b>	\$ (958,958)	\$ 1,050,803	\$ 3,283,251	\$ 139,361	\$ 121,482	\$ 87,540	\$ 42,719	\$ 918,246	\$ 4,684,444	\$ 7,638,294

**The Environmental Institute for Golf**  
**Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**  
**(with Supplemental Schedule of Combining Information for 2008)**

	Quasi-Endowment Funds							Total all Funds		
	Unrestricted Fund	Robert Trent Jones Fund	Investing in the Beauty of Golf Fund	Scotts Company Fund	Michael Hurdzan Fund	R.A. Moore Fund	Williams Leadership Fund	Temporarily Restricted Funds	2008	2007
<b>Operating Activities</b>										
Change in net assets	\$ (73,086)	\$ (583,538)	\$ (1,478,541)	\$ (82,509)	\$ (44,942)	\$ (18,768)	\$ (19,140)	\$ (653,326)	\$ (2,953,850)	\$ 428,625
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities										
Unrealized and realized (gain) loss on investments	22,067	697,078	1,228,469	100,112	51,621	31,641	19,056	-	2,150,044	(261,779)
Changes in										
Receivables	79,015	-	12,500	-	-	-	5,423	653,326	750,264	(824,332)
Prepays and other assets	(12,530)	-	-	-	-	-	-	-	(12,530)	31,361
Accounts payable and accrued expenses	(421,348)	-	-	-	-	-	-	-	(421,348)	750,408
Net cash provided by (used in) operating activities	(405,882)	113,540	(237,572)	17,603	6,679	12,873	5,339	-	(487,420)	124,283
<b>Investing Activities</b>										
Purchases of investments	(3,860)	(102,726)	(219,396)	(13,985)	(8,926)	(5,426)	(3,263)	-	(357,582)	(2,962,152)
Proceeds from sale of investments	2,126	57,500	822,643	7,839	4,986	3,062	1,844	-	900,000	2,813,109
Net cash provided by (used in) investing activities	(1,734)	(45,226)	603,247	(6,146)	(3,940)	(2,364)	(1,419)	-	542,418	(149,043)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(407,616)	68,314	365,675	11,457	2,739	10,509	3,920	-	54,998	(24,760)
<b>Cash and Cash Equivalents, Beginning of Year</b>	(295,159)	(66,885)	340,779	(10,073)	18,901	15,727	1,868	-	5,158	29,918
<b>Cash and Cash Equivalents, End of Year</b>	\$ (702,775)	\$ 1,429	\$ 706,454	\$ 1,384	\$ 21,640	\$ 26,236	\$ 5,788	\$ -	\$ 60,156	\$ 5,158

# The Environmental Institute for Golf

## Notes to Financial Statements

December 31, 2008 and 2007

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

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.

#### ***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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

The Institute considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2008 and 2007, cash equivalents consisted primarily of money market accounts and money market mutual funds.

The money market mutual fund's bank balance at December 31, 2008 was \$39,173 (*see Note 3*). The Institute utilizes the account as a money market sweep account with The Institute's checking account, for which outstanding items are deducted to arrive at The Institute's cash and cash equivalents book balance that is presented within the financial statements.

The financial institution holding The Institute's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2009. At December 31, 2008, The Institute's interest-bearing cash accounts did not exceed federally insured limits.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of

# The Environmental Institute for Golf

## Notes to Financial Statements

December 31, 2008 and 2007

donation, if acquired by contribution) or fair value. Investment return, net of fees, includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Institute maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### ***Quasi-Endowment, Temporarily and Permanently Restricted Net Assets***

Quasi-Endowment net assets are those whose use by The Institute has been limited by the Board of Trustees to a specific time period or purpose. Temporarily restricted net assets are those whose use by The Institute has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by The Institute in perpetuity. The Institute had no permanently restricted net assets at December 31, 2008 or 2007.

Included in quasi-endowment 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 and the Williams Leadership Fund. These funds have been designated by the Board of Trustees for environmental programs including education, research and related activities.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

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 reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

# The Environmental Institute for Golf

## Notes to Financial Statements

December 31, 2008 and 2007

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.

### ***Investment in Related Entity***

The investment in a related entity has been accounted for under the equity method. Since the initial acquisition of GCSAA Communications, Inc. (Communications), The Institute has recorded losses equal to its initial investment in Communications. Losses incurred in excess of The Institute's initial investment of \$21,250 are recorded by the Golf Course Superintendents Association of America (the Association), which was a 50% stockholder in Communications as of December 31, 2008 and 2007. Cumulative excess losses through December 31, 2008 and 2007 were \$2,663,278 and \$2,456,536, respectively. Therefore, the Association will record the first \$2,663,278 of The Institute's portion of Communications' future income.

### ***Income Taxes***

The Institute is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, The Institute is subject to federal income tax on any unrelated business taxable income.

### ***Uncertain Tax Positions***

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, The Institute has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ending December 31, 2009. The Institute has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on their related programs.

### ***Reclassifications***

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the change in net assets.

**The Environmental Institute for Golf**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

**Note 2: Investments and Investment Return**

Investments at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Equity investments	\$ 3,097,276	\$ 5,400,497
Fixed income investments	<u>907,526</u>	<u>1,296,767</u>
	<u>\$ 4,004,802</u>	<u>\$ 6,697,264</u>

Total investment return is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 158,203	\$ 150,626
Net realized and unrealized gains on investments reported at fair value	<u>(2,150,044)</u>	<u>261,779</u>
	<u>\$ (1,991,841)</u>	<u>\$ 412,405</u>

**Note 3: Disclosures about Fair Value of Assets and Liabilities**

Effective January 1, 2008, The Institute adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as 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. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**The Environmental Institute for Golf**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include fixed income and equity mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

***Mutual Fund Money Market Account***

Fair value is estimated by using quoted market prices available in an active market and, therefore, is classified within Level 1 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 4,004,802	\$ 4,004,802	\$ -	\$ -
Money Fund Money Market Account	39,173	39,173	-	-

**The Environmental Institute for Golf**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

**Note 4: Endowment**

The Institute's endowment consists of approximately six 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 (GAAP), 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 Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Institute in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of The Institute and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of The Institute
7. Investment policies of The Institute

The composition of net assets by type of endowment fund at December 31, 2008, was:

	<b>2008</b>		
	<b>Unrestricted</b>	<b>Temporarily</b>	<b>Total</b>
Board-designated endowment funds	\$ 4,725,156	\$ 918,246	\$ 5,643,402
Total endowment funds	\$ 4,725,156	\$ 918,246	\$ 5,643,402

**The Environmental Institute for Golf**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

Changes in endowment net assets for the year ended December 31, 2008, were:

	<b>2008</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 6,952,594	\$ 1,571,572	\$ 8,524,166
Investment return			
Investment income	156,463	-	156,463
Net appreciation (depreciation)	<u>(2,127,977)</u>	<u>-</u>	<u>(2,127,977)</u>
Total investment return	<u>(1,971,514)</u>	<u>-</u>	<u>(1,971,514)</u>
Contributions	144,034	288,554	432,588
Release from restrictions	-	(893,880)	(893,880)
Interfund transfers	(17,219)	-	(17,219)
Appropriation of endowment assets for expenditure	<u>(382,739)</u>	<u>(48,000)</u>	<u>(430,739)</u>
Endowment net assets, end of year	<u>\$ 4,725,156</u>	<u>\$ 918,246</u>	<u>\$ 5,643,402</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. Endowment assets include those assets of donor-restricted endowment funds The Institute must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. 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 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

December 31, 2008 and 2007

The Institute has a policy (the spending policy) of appropriating for expenditure each year 4.5% of the "Investing in the Beauty of Golf Fund" total assets. In establishing this policy, The Institute considered the long-term expected return on its endowment.

### Note 5: Pledges and Contributions Receivable

Pledges and contributions receivable consisted of the following:

	<u>2008</u>	<u>2007</u>
Due within one year	\$ 850,602	\$ 974,376
Due in one to five years	<u>251,965</u>	<u>812,805</u>
	1,102,567	1,787,181
Less		
Allowance for uncollectible contributions	(160,664)	(108,632)
Unamortized discount	<u>(23,657)</u>	<u>(106,977)</u>
	<u>\$ 918,246</u>	<u>\$ 1,571,572</u>

### Note 6: Conditional Gifts

The Institute has received the following conditional promises to give at December 31 that are not recognized in the financial statements:

	<u>2008</u>	<u>2007</u>
Conditional promise to give upon obtaining \$600,000 of annual Advisory Council contributions	<u>\$ -</u>	<u>\$ 100,000</u>

**The Environmental Institute for Golf**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

**Note 7: Related-party Transactions**

The Institute is related by common management to the Association. The Institute paid salaries amounting to approximately \$225,000 for the years ended 2008 and 2007 for certain services provided by the Association. The Institute provided grants of \$1,295,000 and \$1,440,000 to the Association during the years ended December 31, 2008 and 2007, respectively. The grants were used specifically to fund environmental programs including research, continuing education, environmental outreach and historical preservation efforts. The Institute's scholarship efforts are funded directly through The Institute.

The Institute had accounts payable of \$340,156 and \$740,030 due to the Association at December 31, 2008 and 2007, respectively.

**Note 8: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Current Economic Conditions***

The current economic environment presents not-for-profit organizations with new circumstances and challenges, which in some cases have resulted in declines in the fair value of investments and other assets, declines in contributions, constraints on liquidity and possible difficulty obtaining financing. The financial statements have been prepared using values and information currently available to The Institute.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on The Institute's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could impact The Institute's ability to maintain sufficient liquidity.

Management believes it has taken the appropriate actions to address the potential impact of the current economic environment on The Institute based on the available information.

## **Supplemental Information**

**The Environmental Institute for Golf**  
**Schedules of Functional Expenses**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>			<b>Total Expenses</b>
	<b>Program Activities</b>	<b>Management and General</b>	<b>Fund Raising</b>	
Salaries, benefits and related expenses	\$ 56,047	\$ 56,047	\$ 112,093	\$ 224,187
Research grant	434,000			434,000
Education grant	398,485			398,485
Web development grant	50,000			50,000
Environmental programs grant	355,000			355,000
Environmental outreach grant	60,000			60,000
Administration expenses	12,514	12,514	25,027	50,055
Travel expenses	5,303	4,034	8,069	17,406
Marketing and promotion			109,870	109,870
Silent auction expenses			24,247	24,247
Historical preservation grant	6,000			6,000
Uncollectible pledges			48,000	48,000
Scholarship grant	167,892			167,892
	<hr/>	<hr/>	<hr/>	<hr/>
Totals, year ended December 31, 2008	<u>\$ 1,545,241</u>	<u>\$ 72,595</u>	<u>\$ 327,306</u>	<u>\$ 1,945,142</u>
	<b>2007</b>			<b>Total Expenses</b>
	<b>Program Activities</b>	<b>Management and General</b>	<b>Fund Raising</b>	
Salaries, benefits and related expenses	\$ 56,250	\$ 56,250	\$ 112,500	\$ 225,000
Research grant	425,000			425,000
Education grant	513,498			513,498
Environmental programs grant	400,000			400,000
Environmental outreach grant	100,000			100,000
Administration expenses	25,086	25,086	50,173	100,345
Travel expenses	2,862	2,413	4,830	10,105
Marketing and promotion			105,206	105,206
Silent auction expenses			20,792	20,792
Historical preservation grant	10,000			10,000
Scholarship grant	167,851			167,851
	<hr/>	<hr/>	<hr/>	<hr/>
Totals, year ended December 31, 2007	<u>\$ 1,700,547</u>	<u>\$ 83,749</u>	<u>\$ 293,501</u>	<u>\$ 2,077,797</u>