



USA DIVING, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended December 31, 2022 and 2021



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USA DIVING, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
USA Diving, Inc.

Opinion

We have audited the accompanying financial statements of USA Diving, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of USA Diving, Inc., as of December 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Diving, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of USA Diving, Inc. as of December 31, 2021 were audited by Sikich LLP, whose report dated December 14, 2023 expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Diving, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USA Diving, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Diving, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sikich CPA LLC

Indianapolis, Indiana
July 12, 2024

FINANCIAL STATEMENTS

USA DIVING, INC.**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 872,194	\$ 1,430,809
Investments	9,316	10,758
Accounts receivable	75,151	52,710
Due from USA Diving Foundation	50,000	-
Investments - board designated	490,093	580,502
Inventory	207,760	294,921
Prepaid expenses	13,063	807
TOTAL ASSETS	<u><u>\$ 1,717,577</u></u>	<u><u>\$ 2,370,507</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 138,827	\$ 132,545
Accounts payable - related parties	30,286	620,155
Accrued liabilities	25,617	20,853
Deferred revenue	88,332	176,709
Notes payable	200,000	200,000
Total liabilities	<u>483,062</u>	<u>1,150,262</u>
NET ASSETS		
Net assets without donor restrictions	1,016,378	992,485
Net assets with donor restrictions	218,137	227,760
Total net assets	<u>1,234,515</u>	<u>1,220,245</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,717,577</u></u>	<u><u>\$ 2,370,507</u></u>

See accompanying notes to financial statements.

USA DIVING, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 92,218	\$ 252	\$ 92,470
USOPC grants	765,283	-	765,283
US Diving Foundation grants	635,824	-	635,824
Raymond C. Rude Supporting Foundation, Inc. grants	12,638	-	12,638
Government grants	137,758	-	137,758
Sponsorships	28,818	-	28,818
Contributed nonfinancial assets	13,448	-	13,448
Membership dues	826,473	-	826,473
Media revenue	75,906	-	75,906
Event fees	422,956	-	422,956
Miscellaneous revenue	34,069	-	34,069
Investment return, net	(91,848)	-	(91,848)
Interest and dividends	3,173	-	3,173
Net assets released from restrictions	9,875	(9,875)	-
Total Revenues and Support	2,966,591	(9,623)	2,956,968
EXPENSES			
Program services			
Member services	895,597	-	895,597
Competitive programs	1,154,075	-	1,154,075
Supporting services			
General and administrative	712,691	-	712,691
Fundraising	180,335	-	180,335
Total Expenses	2,942,698	-	2,942,698
CHANGE IN NET ASSETS	23,893	(9,623)	14,270
NET ASSETS, BEGINNING OF YEAR	992,485	227,760	1,220,245
NET ASSETS, END OF YEAR	\$ 1,016,378	\$ 218,137	\$ 1,234,515

See accompanying notes to financial statements.

USA DIVING, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 62,241	\$ 74,016	\$ 136,257
USOPC grants	699,779	-	699,779
US Diving Foundation grants	477,968	-	477,968
Raymond C. Rude Supporting Foundation, Inc. grants	18,219	-	18,219
Government grants	120,120	-	120,120
Sponsorships	30,000	-	30,000
Contributed nonfinancial assets	65,083	-	65,083
Membership dues	612,076	-	612,076
Media revenue	78,500	-	78,500
Event fees	921,145	-	921,145
Ticket sales	23,904	-	23,904
Management fees	450,000	-	450,000
Miscellaneous revenue	45,908	-	45,908
Investment return, net	75,062	-	75,062
Interest and dividends	783	-	783
Net assets released from restrictions	94,253	(94,253)	-
Total Revenues and Support	3,775,041	(20,237)	3,754,804
EXPENSES			
Program services			
Member services	922,087	-	922,087
Competitive programs	1,370,887	-	1,370,887
Supporting services			
General and administrative	766,124	-	766,124
Fundraising	150,217	-	150,217
Total Expenses	3,209,315	-	3,209,315
CHANGE IN NET ASSETS	565,726	(20,237)	545,489
NET ASSETS, BEGINNING OF YEAR	426,759	247,997	674,756
NET ASSETS, END OF YEAR	\$ 992,485	\$ 227,760	\$ 1,220,245

See accompanying notes to financial statements.

USA DIVING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Member Services</u>	<u>Competitive Programs</u>	<u>Total Programming</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting</u>	
Salaries	\$ 206,528	\$ 273,524	\$ 480,052	\$ 122,657	\$ 34,758	\$ 157,415	\$ 637,467
Employee benefits	46,869	51,626	98,495	29,582	22,069	51,651	150,146
Awards and recognitions	580	-	580	2,320	-	2,320	2,900
Education	8,999	-	8,999	4,157	-	4,157	13,156
Event Venues	114,505	39,467	153,972	14,095	9,174	23,269	177,241
Financial service fees	-	-	-	29,225	-	29,225	29,225
Insurance	386,689	165,724	552,413	4,292	-	4,292	556,705
Marketing and advertising	-	2,291	2,291	20,074	5,727	25,801	28,092
Office Expenses	-	19,784	19,784	22,846	-	22,846	42,630
Performance support	45,312	305,913	351,225	-	-	-	351,225
Professional Services	70,729	12,312	83,041	278,797	-	278,797	361,838
Travel	15,386	283,434	298,820	184,646	108,607	293,253	592,073
TOTAL EXPENSES	<u>\$ 895,597</u>	<u>\$ 1,154,075</u>	<u>\$ 2,049,672</u>	<u>\$ 712,691</u>	<u>\$ 180,335</u>	<u>\$ 893,026</u>	<u>\$ 2,942,698</u>

See accompanying notes to financial statements.

USA DIVING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2021

	Program Services			Supporting Services			Total
	Member Services	Competitive Programs	Total Programming	Management and General	Fundraising	Total Supporting	
Salaries	\$ 133,646	\$ 283,690	\$ 417,336	\$ 85,663	\$ 22,065	\$ 107,728	\$ 525,064
Employee benefits	32,346	54,981	87,327	20,767	14,167	34,934	122,261
Awards and recognitions	1,661	-	1,661	13,154	-	13,154	14,815
Conferences and meetings	-	-	-	10,079	-	10,079	10,079
Education	1,736	-	1,736	3,045	-	3,045	4,781
Event venues	251,081	120,828	371,909	42,702	3,687	46,389	418,298
Financial service fees	-	-	-	31,590	-	31,590	31,590
Insurance	383,723	164,453	548,176	-	-	-	548,176
Marketing and advertising	-	1,260	1,260	20,204	3,150	23,354	24,614
Office expense	-	26,544	26,544	33,294	-	33,294	59,838
Performance support	41,744	422,653	464,397	-	-	-	464,397
Professional services	69,562	12,546	82,108	320,346	-	320,346	402,454
Travel	6,588	283,932	290,520	185,280	107,148	292,428	582,948
TOTAL EXPENSES	\$ 922,087	\$ 1,370,887	\$ 2,292,974	\$ 766,124	\$ 150,217	\$ 916,341	\$ 3,209,315

See accompanying notes to financial statements.

USA DIVING INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022, and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 14,270	\$ 545,489
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Investment return, net	91,849	(75,062)
PPP loan forgiveness	-	(120,120)
(Increase) decrease in		
Accounts receivable	(22,441)	(48,634)
Due from related parties	(50,000)	10,007
Inventory	87,163	68,660
Prepaid expenses	(12,256)	27,439
Increase (decrease) in		
Accounts payable	6,282	89,001
Accounts payable - related parties	(589,869)	429,478
Accrued liabilities	4,764	8,553
Deferred revenue	(88,377)	(391,381)
Net cash from operating activities	<u>(558,615)</u>	<u>543,430</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	<u>-</u>	<u>120,120</u>
Net cash from financing activities	<u>-</u>	<u>120,120</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(558,615)	663,550
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,430,809</u>	<u>767,259</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 872,194</u></u>	<u><u>\$ 1,430,809</u></u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u><u>\$ 5,539</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

USA DIVING INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022, and 2021

1. NATURE OF ORGANIZATION

USA Diving, Inc. (USA Diving) is a not-for-profit corporation located in Indianapolis, Indiana. USA Diving has been designated the National Governing Body for the Olympic sport of diving by the United States Olympic and Paralympic Committee (USOPC). USA Diving was formed to organize and administer all aspects of competitive diving in the United States. Accordingly, USA Diving registers athletes and coaches, promotes the sport of diving, sanctions competitive diving events, and assembles and manages national diving teams.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (USGAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of USA Diving and changes herein are classified and reported as follows:

Without Donor Restrictions

Undesignated - Net assets that are not subject to donor-imposed restrictions or board-imposed stipulations.

Board-Designated - Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use. As of December 31, 2022, and 2021, net assets without donor restrictions amounted to \$1,016,378 and \$992,485, respectively, of which \$490,093 and \$580,502 is considered board designated, respectively. The amount is designated as a special reserve emergency fund.

With Donor Restrictions

Net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of USA Diving pursuant to those restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

USA Diving considers all investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents.

USA Diving maintains its bank accounts at one financial institution, which at times may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of December 31, 2022, and 2021, USA Diving had a balance in excess of the insured limit of \$622,194 and \$1,214,951, respectively. USA Diving has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Management considers the collectability of each account individually. As of December 31, 2022, and 2021, management has determined that no allowance for doubtful accounts is required.

Inventory

Inventory primarily consists of apparel and accessories for event team members that were donated by a sponsor. Inventory is stated at the estimated fair value, on a first-in, first-out basis.

Investments and Income Recognition

Investments in marketable securities with readily determinable fair values are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in the change in net assets. Investment return is reported net of external and direct internal investment expense.

Gains and losses on investment income are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is time restricted or restricted in perpetuity by explicit donor stipulations. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Income Recognition (Continued)

USA Diving invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the statements of activities.

Revenue Recognition

USA Diving's revenue is derived from the following sources:

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional contributions as of December 31, 2022 and 2021.

Contributions received are recorded as increases in net assets, based on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without restrictions and are reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same year in which the support is recognized are reported as net assets without donor restrictions.

Unconditional grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. All grants are considered contributions for the fiscal years ended December 31, 2022, and 2021 and therefore follow contribution guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, Not for Profit Entities (Topic 958). Conditional grants that have been funded by the donor are considered refundable grant advances and are reported on the statements of financial position. When the conditions specified by the grant agreements have been met, the grant revenue will be recognized.

Sponsorships are monetary gifts considered contribution revenue as there is no performance obligation related to the receipt of funds.

Contributed Nonfinancial Assets

Contributions of nonfinancial assets are recorded at fair value in the period received. Donated noncash assets for the years ended December 31, 2022, and 2021, totaled \$13,448 and \$65,083, respectively, and are recorded to the related asset or expense account, as appropriate and contributed nonfinancial assets revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets (Continued)

Donated services are recognized as revenue at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills which would need to be purchased if they were not donated. The Organization receives donated services from unpaid volunteers who provide program support. No amounts have been recognized in the accompanying statements of activities for these volunteer services because the criteria for recognition of such volunteer effort has not been satisfied.

Revenue from Contracts with Customers

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration USA Diving expects to receive in exchange for those products or services. The timing of revenue recognition may differ from the timing of invoicing to customers and may result in contract assets and contract liabilities on the statements of financial position.

In instances where the timing of revenue recognition differs from the timing of invoicing, USA Diving has determined that these contracts do not include a significant financing component.

Significant Judgments

USA Diving evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. Significant judgments include the methodology for recognizing revenue over the appropriate period.

Membership Dues

An annual membership with USA Diving requires the payment of a set fee for dues. Membership categories and the related dues are based on an individual's level of competition and participation level as defined by USA Diving. Based on membership level, the stand ready performance obligations recognized over the membership period include insurance coverage, access as a member or coach to USA Diving training facilities, coaches, competitions and events, and website access. Members receive monthly and quarterly electronic newsletters. Related revenues are recognized at the point in time that access is available. Annual dues may be received in advance of the year for which they apply, and they are reported as deferred revenue when they are received. At the end of the membership year, which coincides with USA Diving's fiscal year end, all dues related to the year will have been recognized as revenue. There are no discounts, refunds or warranties associated with membership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Customers (Continued)

Media Revenue

USA Diving participates in an annual digital media contract with a related party. The related party hosts the official USA Diving website and other digital platforms and is permitted unlimited monetization of these platforms. USA Diving receives an agreed upon fee as defined per the contract. Based on the contract, the performance obligation is met at a point in time. There was no deferred revenue related to management contracts as of December 31, 2022, and 2021. The contract is not subject to refunds or warranties.

Event Fees

Revenue is received from participants in exchange for participation in a diving event. Fees for these events are set by the Organization and are set forth in the agreement with the participants. Fees for the event are based on which event the participant is attending. Fees are refundable under certain circumstances, such as a cancellation of the event. Related revenues are earned at the commencement of the event which is when the performance obligation has been satisfied. Any amounts paid in advance of the event are classified as deferred revenue until the event occurs.

Ticket Sales

Ticket sales from individuals for admissions to events of the Organization including handling and other fees as applicable. Tickets purchased in advance are recorded as deferred revenue by the Organization. Advance ticket sales are recorded as revenue when the competition or event related to the ticket sale is complete. Admission revenues are recognized when performance obligations have been satisfied, which occurs when the event has commenced at a point in time.

Management Fees

USA Diving participates in a contract that allows them the opportunity to manage the Olympic Diving Trials. An additional agreement between USA Diving and a subcontractor exists to outsource the obligations of the original contract. The fees and related performance obligations are defined per the contracts. The performance obligations are delivered concurrently and have the same measure of progress and are accounted for as a single performance obligation. Payments under the contracts are due to USA Diving in advance of the event and could give rise to deferred revenue. There was no deferred revenue related to management contracts as of December 31, 2022, and 2021. The revenue is recognized at a point in time, at the time of the event. Refunds are not available. The contracts contain caps on revenue collected and expenses paid and there will be a final reconciliation of the contracts after the event takes place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Assets and Liabilities

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets), and deferred revenue (contract liabilities) in the statements of financial position. Generally, billing occurs in advance of revenue recognition, resulting in contract liabilities referred to as deferred revenue. The deferred revenue is liquidated when related performance obligations are satisfied.

Income Taxes

USA Diving is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. USA Diving is not a private foundation.

The Organization's 2022, 2021 and 2020 tax returns are subject to examination by the Internal Revenue Service

Use of Estimates

The presentation of financial statements in conformity with USGAAP 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. Accordingly, actual results may differ from those estimates and assumptions.

Marketing and Advertising Cost

USA Diving uses marketing and advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2022, and 2021, were \$28,092 and \$24,614, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocated expenses include salaries, and related taxes and benefits, insurance, office expense, performance support, professional services, awards and recognition, event venues, and travel. The expenses are allocated based on estimates of time and effort. Expenses that are specifically identifiable with a program are charged to that program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events are events or transactions that occur after the statements of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statements of financial position but arose after that date (that is, recognized subsequent events).

USA Diving has evaluated subsequent events through July 12, 2024, which was the date that these financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

3. LIQUIDITY AND AVAILABILITY

USA Diving receives contributions and grants with donor restrictions to be used in accordance with the associated purpose or time restriction. USA Diving received approximately 82% and 65% of its funding needs from revenue generated through donor contributions and grants as of December 31, 2022 and 2021, respectively.

As of December 31, and 2022, and 2021, financial assets available within one year for general expenditure, that is without donor or other restrictions limiting use, are comprised of the following:

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 872,194	\$1,430,809
Investments	9,316	10,758
Accounts receivable	75,151	52,710
Due from USA Diving Foundation	50,000	-
Investments - board designated	490,093	580,502
	<u>1,496,754</u>	<u>2,074,779</u>
Total financial assets		
Less: Those unavailable for general expenditures:		
Funds restricted by donor	(218,137)	(227,760)
Collateral on EIDL loan	(200,000)	(200,000)
Board designations	(490,093)	(580,502)
	<u>(898,230)</u>	<u>(1,008,262)</u>
TOTAL FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 588,524</u>	<u>\$1,066,517</u>

3. LIQUIDITY AND AVAILABILITY (Continued)

USA Diving has board designated reserves of \$490,093 and \$580,502 as of December 31, 2022, and 2021, respectively. This amount is considered a liquid resource as the board has the ability to remove the designation and permit its use for general operating expenditures.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, USA Diving considers all expenditures related to the ongoing activities of its program services as well as the conduct of services undertaken to support those activities to be general expenditures.

USA Diving considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during USA Diving's fiscal year.

USA Diving manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment. If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques

The following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There has been no change to the techniques used during the years ended December 31, 2022, and 2021.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Interest in assets held by United States Olympic Endowment (USOE): Valued at NAV, per unit as reported by USOE. The Organization considers the measurement to be a Level 2 measurement within the fair value hierarchy because the organization has the ability to redeem the funds.

Recurring Measurements

The following table presents assets measured at fair value on a recurring basis at December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 468,781	\$ -	\$ -	\$ 468,781
Interest in assets held by USOE	-	9,316	-	9,316
TOTAL ASSETS AT FAIR VALUE	\$ 468,781	\$ 9,316	\$ -	478,097
Cash and cash equivalents*				21,312
				\$ 499,409

*Cash and cash equivalents are recorded at cost.

The following table presents assets measured at fair value on a recurring basis at December 31, 2021:

Assets	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 546,311	\$ -	\$ -	\$ 546,311
Interest in assets held by USOE	-	10,758	-	10,758
TOTAL ASSETS AT FAIR VALUE	\$ 546,311	\$ 10,758	\$ -	557,069
Cash and cash equivalents*				34,191
				\$ 591,260

*Cash and cash equivalents are recorded at cost.

USA DIVING INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

5. NOTE PAYABLE

USA Diving received a U.S. Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) dated May 5, 2020, collateralized by all assets of the Organization. Payments of \$855 per month, including principal and interest at 2.75%, with payments beginning January 2023. The note matures in May, 2050. As of December 31, 2022, and 2021, there is a balance due of \$200,000. The note is collateralized by all assets of USA Diving.

As of December 31, 2022, principal payments due on the note payable were as follows:

2023	\$	7,031
2024		3,732
2025		4,711
2026		4,842
2027		4,977
Thereafter		174,707
	\$	<u>200,000</u>

6. CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Apparel and outfitting	\$ -	\$ 53,640
Wellness tools	13,448	11,443
TOTAL	<u>\$ 13,448</u>	<u>\$ 65,083</u>

Contributed nonfinancial assets are maintained in inventory and received without donor restrictions. The contributions of donated apparel and outfitting as well as donated wellness tools are valued at wholesale prices that would be received for selling similar items. The Organization utilizes all contributed non-financial assets in their competitive program.

7. GOVERNMENT GRANTS

Paycheck Protection Program

The Paycheck Protection Program (PPP) is a low-interest Small Business Administration (SBA) loan and may be forgiven entirely if the borrower meets certain parameters. The Organization received \$277,120 related to this program in prior years resulting in government grant revenue. The loans were forgiven in prior years.

7. GOVERNMENT GRANTS (Continued)

Paycheck Protection Program (Continued)

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, all borrowers are required to maintain PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

Employee Retention Credit

Under the provisions of the CARES Act, as modified, the Employee Retention Credit (ERC) provides employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit per employee of \$7,000 per employee for each calendar quarter through December 31, 2021. During the year ended December 31, 2022, the Organization claimed ERCs of \$137,758 as Government grants in the statements of activity.

The IRS has extended the statute of limitations to five years with respect to ERC claims. Should the IRS subsequently audit ERC amounts and the Organization did not meet eligibility requirements, a legal liability for repayment of previously recognized ERC amounts could be incurred.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available to support the following purposes as of December 31, 2022, and 2021:

	<u>2022</u>	<u>2021</u>
Dive-In campaign	\$ 117,034	\$ 117,034
High performance/Synchro	25,007	25,007
Masters events	39,362	39,110
Relocation expenses	10,000	10,000
Technology	5,000	5,000
Biomechanical Upgrades - VAMA	21,734	31,609
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 218,137	\$ 227,760

USA DIVING INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

9. RELATED PARTY ACTIVITY

USA Diving is the sole member of US Diving Foundation (the Foundation); however, USA Diving does not have a majority voting interest in electing the Foundation's board of directors. The purpose of the Foundation is to benefit the educational and charitable purposes of USA Diving and to advance the sport of diving. The Foundation also makes grants to various not-for-profit and for-profit organizations in carrying out the mission of USA Diving.

USA Diving is a member of USOPC, a federally chartered nonprofit organization charged with governing and supporting the individual governing bodies of Olympic and Paralympic sports in the United States.

Related Party Activity For the Year Ended December 31, 2022:	Raymond C. Rude Supporting			
	USOPC	US Diving Foundation	Foundation	Total
Assets:				
Accounts receivable	\$ -	\$ 50,000	\$ -	\$ 50,000
Liabilities:				
Accounts payable	\$ 25,386	\$ -	\$ 4,900	\$ 30,286
Revenues and Support:				
Contributions	\$ -	\$ -	\$ 4,952	\$ 4,952
Grants	765,283	231,638	416,824	1,413,745
Media revenue	75,906	-	-	75,906
TOTAL RELATED PARTY REVENUES	\$ 841,189	\$ 231,638	\$ 421,776	\$ 1,494,603

Percentage of all revenues and support earned by USA Diving	28%	8%	14%	51%
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Related Party Activity For the Year Ended December 31, 2021:	Raymond C. Rude Supporting			
	USOPC	US Diving Foundation	Foundation	Total
Liabilities:				
Accounts payable	\$ 348,818	\$ 271,337	\$ -	\$ 620,155
Revenues and Support:				
Grants	\$ 699,779	\$ 477,968	\$ 18,219	\$ 1,195,966
Contributed nonfinancial assets	53,640	-	-	53,640
Contributions	39,584	18,200	-	57,784
Management fees	450,000	-	-	450,000
Media revenue	78,500	-	-	78,500
Event Fees	18,750	-	-	18,750
TOTAL RELATED PARTY REVENUES	\$ 1,340,253	\$ 496,168	\$ 18,219	\$ 1,854,640

Percentage of all revenues and support earned by USA Diving	36%	13%	0%	49%
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Raymond C. Rude Supporting Foundation, Inc. is a related party donor to USA Diving and the Foundation.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

USA Diving recognizes revenue from contracts with customers through three primary revenue streams: membership, media and event contracts. USA Diving's disaggregated revenue based on timing of revenue recognition for the years ended December 31, 2022, and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Over time		
Membership dues	\$ 754,070	\$ 558,674
Point in time		
Membership dues	72,403	53,402
Media revenue	75,906	78,500
Event fees	422,956	921,145
Ticket sales	-	23,904
Management fees	-	450,000
	<u>571,265</u>	<u>1,526,951</u>
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>\$ 1,325,335</u>	<u>\$ 2,085,625</u>

USA Diving has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the global pandemic, general economy and ability to provide services.

The opening balance for contract assets (accounts receivable) from contracts with customers was \$52,710 and \$0 on January 1, 2022, and 2021, respectively.

The opening balances for contract liabilities (deferred revenue) from contracts with customers on January 1, 2022, and 2021 were \$176,709 and \$123,871 of deferred membership dues, respectively.

11. CONCENTRATION OF INCOME SOURCES

During 2022 and 2021, USA Diving received approximately 51% and 49% of its total revenue, respectively, from related parties. A decrease in funding from these sources could have a significant impact on USA Diving. See footnote 9 for additional information.

12. EMPLOYEE BENEFIT PLAN

USA Diving sponsors a 401(k) plan (Plan) for its eligible employees. The Plan requires USA Diving to make certain minimum contributions to eligible employees on an annual basis. USA Diving may make additional discretionary contributions and employee contributions are permitted. All contributions are immediately 100% vested. For the years ended December 31, 2022, and 2021, USA Diving contributed \$18,903, and \$16,452, respectively, to the Plan.