



USA WATER SKI, INC.

**Financial Statements
& Supplemental Schedules**

For the Year Ended December 31, 2016

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Program Services	14
Schedule of Supporting Services	15

INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Water Ski, Inc.
Polk City, Florida

We have audited the accompanying financial statements of USA Water Ski, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 USA Water Ski, Inc. as of December 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited USA Water Ski, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of program services and of supporting services are presented for purposes of additional analysis and are 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 audit 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.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
May 17, 2017

USA WATER SKI, INC.
Statement of Financial Position
December 31, 2016
(With Comparative Amounts for 2015)

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 640,732	\$ 568,030
Short-term investments	396,532	379,245
Accounts receivable	20,210	70,036
Prepaid expenses	35,168	130,995
Inventory	15,818	13,779
Other assets	<u>5,635</u>	<u>4,700</u>
Total current assets	1,114,095	1,166,785
PROPERTY AND EQUIPMENT, at cost:		
Computers and software	44,192	71,045
Furniture and equipment	186,962	186,962
Leasehold improvements	<u>43,390</u>	<u>43,390</u>
	274,544	301,397
Less accumulated depreciation	<u>(251,831)</u>	<u>(271,948)</u>
Property and equipment - net	<u>22,713</u>	<u>29,449</u>
TOTAL ASSETS	<u>\$ 1,136,808</u>	<u>\$ 1,196,234</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 15,702	\$ 120,090
Accrued liabilities	43,339	39,628
Current portion of deferred revenue	<u>454,041</u>	<u>465,088</u>
Total current liabilities	513,082	624,806
DEFERRED REVENUE	<u>33,362</u>	<u>27,534</u>
Total liabilities	546,444	652,340
NET ASSETS:		
Unrestricted	95,094	78,202
Unrestricted - Board designated	474,333	424,434
Temporarily restricted	<u>20,937</u>	<u>41,258</u>
Total net assets	<u>590,364</u>	<u>543,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,136,808</u>	<u>\$ 1,196,234</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
SUPPORT AND REVENUE:				
Membership registrations	\$ 949,743	\$	\$ 949,743	\$ 932,130
Publication income	130,773		130,773	149,123
National tournaments	127,748		127,748	130,821
Regional income	112,482		112,482	127,557
US Open income	99,100		99,100	62,088
Sport discipline income	97,197	1,289	98,486	48,482
Event sanctioning income	96,842		96,842	96,456
Marketing and partnership	83,046		83,046	95,561
Teams fund	58,710		58,710	84,431
Approved towboat testing	48,000		48,000	52,000
Sport development	43,626		43,626	51,251
Value in kind	31,000		31,000	31,000
Investment income	23,461		23,461	(10,003)
Jr US Open income	12,428		12,428	10,450
Donations	10,896		10,896	
Other income	2,772		2,772	27,361
Team trials income				5,320
Pan American Games income				1,304
Satisfaction of program restrictions	21,610	(21,610)		
Total support and revenue	<u>1,949,434</u>	<u>(20,321)</u>	<u>1,929,113</u>	<u>1,895,332</u>
EXPENSES:				
Program services:				
Membership	504,481		504,481	535,957
Publication expense	320,510		320,510	324,594
National tournaments	270,312		270,312	227,753
Sport development	174,258		174,258	141,047
Sport discipline expense	103,775		103,775	148,275
Regional expense	93,146		93,146	117,193
National teams	61,951		61,951	55,948
Competitions	44,468		44,468	44,155
Towboat program	19,519		19,519	19,003
Total program services	<u>1,592,420</u>		<u>1,592,420</u>	<u>1,613,925</u>
Supporting services:				
General and administrative expense	168,158		168,158	174,674
Sponsorship development	122,065		122,065	129,518
Total supporting services	<u>290,223</u>		<u>290,223</u>	<u>304,192</u>
Total expenses	<u>1,882,643</u>		<u>1,882,643</u>	<u>1,918,117</u>
CHANGE IN NET ASSETS	66,791	(20,321)	46,470	(22,785)
NET ASSETS, beginning of year	<u>502,636</u>	<u>41,258</u>	<u>543,894</u>	<u>566,679</u>
NET ASSETS, end of year	<u>\$ 569,427</u>	<u>\$ 20,937</u>	<u>\$ 590,364</u>	<u>\$ 543,894</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Amounts for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 46,470	\$ (22,785)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	8,581	11,305
Realized & unrealized (gain) loss on investments	(12,182)	22,615
Changes in assets and liabilities:		
Changes in accounts receivable	49,826	(35,264)
Changes in prepaid expenses	95,827	(103,788)
Changes in inventory	(2,039)	773
Changes in other assets	(935)	(1,500)
Changes in accounts payable	(104,388)	96,692
Changes in accrued liabilities	3,711	2,857
Changes in deferred revenue	<u>(5,219)</u>	<u>54,493</u>
Total adjustments	<u>33,182</u>	<u>48,183</u>
Net cash provided by operating activities	79,652	25,398
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(1,845)	(4,706)
Change in investments, net	<u>(5,105)</u>	<u>(8,277)</u>
Net cash used by investing activities	<u>(6,950)</u>	<u>(12,983)</u>
NET INCREASE IN CASH	72,702	12,415
CASH AND CASH EQUIVALENTS, beginning of year	<u>568,030</u>	<u>555,615</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 640,732</u>	<u>\$ 568,030</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Notes to Financial Statements
For the Year Ended December 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Water Ski, Inc. (the Corporation) is the national governing body of organized water skiing in the United States. USA Water Ski, Inc. is a member of the International Water Ski Federation, the Pan American Sports Organization and the United States Olympic Committee. Affiliated with USA Water Ski, Inc. as sport disciplines are the American Water Ski Association, American Barefoot Club, American Kneeboard Association, National Collegiate Water Ski Association, National Show Ski Association, National Water Ski Racing Association, United States Hydrofoil Association, USA Wakeboard and Water Skiers with Disabilities Association.

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, income from certain activities not directly related to the Corporation's tax-exempt purposes is subject to taxation as unrelated business income.

The Corporation's form 990, Return of Organization Exempt from Income Tax is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking and savings accounts.

The Corporation maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure, the Corporation could suffer a loss to the extent its deposits exceed the respective bank insurance limits.

Supplemental Cash Flow Disclosure

The Corporation paid no interest or income taxes during the years ended December 31, 2016 and 2015, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount the Corporation expects to collect from balances outstanding at year end. Based on the Corporation's experience with businesses having outstanding balances, it has concluded that any losses on balances outstanding at year end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

Accounts receivable outstanding for more than 30 days are considered delinquent. Delinquent receivables are determined to be uncollectible on a case by case basis and are written off to bad debt expense at such point of determination.

Property and Equipment

Property and equipment consists of leasehold improvements, furniture, and office equipment used in the operations of the Corporation. Property and equipment are recorded at cost or, in the case of donated items, at the estimated fair market value at the date of the donation.

Depreciation is recorded using the straight-line method over an estimated life of three to ten years for furniture and equipment and seven to fifteen years for leasehold improvements. Depreciation expense for the years ended December 31, 2016 and 2015, was \$8,581 and \$11,305, respectively.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists of merchandise and apparel.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services

The Corporation receives a substantial amount of donated services in carrying out its programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958, "Not-For-Profit Entities".

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary and related expenses. For the years ended December 31, 2016 and 2015, the Corporation's supporting service expenses amounted to 15.04% and 16.05%, respectively, of total support and revenue.

Use of Estimates in Preparation of Financial Statements

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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through May 17, 2017, the date that the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Corporation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 375,342	\$	\$	\$ 375,342
Certificates of deposit	<u>21,190</u>	<u></u>	<u></u>	<u>21,190</u>
	<u>\$ 396,532</u>	<u>\$</u>	<u>\$</u>	<u>\$ 396,532</u>

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 358,055	\$	\$	\$ 358,055
Certificates of deposit	<u>21,190</u>	<u></u>	<u></u>	<u>21,190</u>
	<u>\$ 379,245</u>	<u>\$</u>	<u>\$</u>	<u>\$ 379,245</u>

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

Investment income in the accompanying statements of activities consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 11,279	\$ 12,612
Unrealized gains (losses)	12,182	(26,042)
Realized gains	<u> </u>	<u>3,427</u>
	<u>\$ 23,461</u>	<u>\$ (10,003)</u>

C. USA WATER SKI FOUNDATION

The USA Water Ski Foundation (the Foundation) is a separate exempt entity to establish, administer and promote an educational program devoted to the development and training of water skiers as a means of healthful recreation and physical fitness and to stimulate an interest in water skiing competition.

The Corporation leases office space from the Foundation in accordance with an operating lease effective through November, 2019 at an annual rate of \$10. For the years ended December 31, 2016 and 2015, the Corporation recognized \$31,000 of value-in-kind revenue and expense for the leased office space. The Corporation is also responsible for covering the cost of utilities, property tax, and repairs and maintenance.

Total expenses incurred for the years ended December 31, 2016 and 2015 amounted to \$76,444 and \$101,852, respectively. At December 31, 2016 and 2015, the Foundation owed the Corporation \$1,364 and \$28,079, respectively, for reimbursement of lake and building maintenance expenses. The Corporation owed the Foundation \$325 and \$545 at December 31, 2016 and 2015, respectively.

The Foundation is not controlled by the Corporation and therefore consolidated financial statements are not prepared.

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Memberships	\$ 423,112	\$ 432,132
Sanction fees	54,185	50,475
Club additional insurance	4,100	4,350

Notes to Financial Statements

D. DEFERRED REVENUE - Continued

	<u>2016</u>	<u>2015</u>
Sponsorship	3,500	600
Banquet awards	1,397	2,598
Banquet tickets, magazine ads, miscellaneous	1,109	467
Membership insurance	<u> </u>	<u>2,000</u>
	<u>\$ 487,403</u>	<u>\$ 492,622</u>

E. LEASES

In the year ended December 31, 2015, the Corporation signed an operating lease for postage equipment that replaced the old lease. The final quarterly payment on the old lease was waived. The new lease requires quarterly payments of \$2,874 and expires April 2021. The Corporation also leases a copier at a monthly rate of \$370 through December 2020.

As explained in Note C, the Corporation leases office space from the USA Water Ski Foundation. The operating lease is effective through November 2019 and requires annual payments of \$10.

Minimum future payments on these leases for each of the years ended December 31 are as follows:

2017	\$	15,946
2018		15,946
2019		15,946
2020		15,936
2021		2,874

F. RETIREMENT PLAN

During the year ended December 31, 2009, the Corporation established a 401(k) profit sharing plan for its employees. Employees are eligible to participate if they are over the age of twenty-one with at least one year of service. Each year, the Corporation may elect to make a discretionary matching contribution. The contribution will be allocated to participants based on a uniform percentage of employee salary deferrals, as defined by the plan. Total pension expense for the years ended December 31, 2016 and 2015, amounted to \$12,555 and \$12,192, respectively.

Notes to Financial Statements

G. UNRESTRICTED NET ASSETS - BOARD DESIGNATED

At December 31, 2016 and 2015, Board designated net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Western region	\$ 78,907	\$ 83,831
American Water Ski Association	67,964	53,456
Midwest region	72,786	68,784
Southern region	62,423	63,533
South Central region	51,912	51,020
Eastern region	46,827	49,994
American Barefoot Club	38,824	25,257
Junior Development Fund	21,555	
Water Skiers with Disabilities Association	18,915	16,417
Wakeboard	8,355	5,468
American Kneeboard Association	<u>5,865</u>	<u>6,674</u>
	<u>\$ 474,333</u>	<u>\$ 424,434</u>

H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015, are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Teams - other	\$ 6,156	\$ 10,504
Physician	5,673	5,673
Elite Team	4,705	4,582
Teams - age specific	<u>4,403</u>	<u>20,499</u>
	<u>\$ 20,937</u>	<u>\$ 41,258</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2016 and 2015, respectively, temporarily restricted net assets were released from restrictions for the following programs:

	<u>2016</u>	<u>2015</u>
Teams - age specific	\$ 17,262	\$ 407
Teams - other	<u>4,348</u>	<u> </u>
	<u>\$ 21,610</u>	<u>\$ 407</u>

Notes to Financial Statements

I. SPORT DISCIPLINES AND REGIONS

The Corporation has five separate regions and nine separate sport disciplines that assist in administering tournaments across the United States of America. USA Water Ski, Inc. granted funding to these regions and disciplines in the amount of \$77,719 and \$79,426 during the years ended December 31, 2016 and 2015, respectively.

USA WATER SKI, INC.
Schedule of Program Services
For the Year Ended December 31, 2016

	Membership	Publication	National Tournaments	Sport Development	Regional	Sport Discipline	National Teams	Competitions	Towboat Program	Total
Labor allocation	\$ 114,842	\$ 123,247	\$ 30,625	\$ 71,323	\$	\$	\$ 13,528	\$ 28,208	\$ 9,295	\$ 391,068
Insurance	320,583			2,905						323,488
Overhead allocation	56,681	60,830	15,116	35,203			6,678	13,922	4,290	192,720
Sport discipline expense				38,547		103,775				142,322
Regional expense		38,643			93,146					131,789
U.S Open expense			97,745							97,745
Magazine production		67,381								67,381
Entry fees			65,535							65,535
Team tees/caps/sweats							31,500			31,500
Postage	3,058	22,729								25,787
Travel	257	7,680		2,852				602	3,089	14,480
Junior U.S. Open expense			11,878							11,878
AWSA admin fees			11,508							11,508
Motor vehicle report expense				11,450						11,450
Exhibits			11,332							11,332
Materials	8,434									8,434
TV production			8,041							8,041
Practice fees to LOC			6,810							6,810
Merchandise shipping expense							4,844			4,844
Grassroots programs				4,600						4,600
Merchandise promotion travel							4,527			4,527
Club development expense				4,436						4,436
Officials shirts			4,181							4,181
Awards			3,407							3,407
Instructor certification				2,735						2,735
Officials room/housing			2,700							2,700
Event sanctioning								1,514		1,514
Room & board									1,399	1,399
Honorarium									1,300	1,300
Merchandise Booth expense							874			874
Ski school & camps expense	626									626
Banquet expense			602							602
Miscellaneous expense			432						127	559
VIP Reception expense			400							400
Officials clinics				207						207
Competition expense								202		202
Rulebooks								20		20
Technical equipment									19	19
Totals	\$ 504,481	\$ 320,510	\$ 270,312	\$ 174,258	\$ 93,146	\$ 103,775	\$ 61,951	\$ 44,468	\$ 19,519	\$ 1,592,420

USA WATER SKI, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2016

	<u>General & Administrative</u>	<u>Sponsorship Development</u>	<u>Total</u>
Salaries	\$ 476,395	\$	\$ 476,395
Computer supplies & service	64,352		64,352
Insurance	45,799		45,799
Employee benefits	38,642		38,642
Payroll taxes	38,583		38,583
Rent	31,000		31,000
Credit card fees	29,525		29,525
Utilities	26,925		26,925
Telephone & fax	20,294		20,294
Postage	14,562		14,562
Retirement plan	12,555		12,555
Professional fees	12,399		12,399
Depreciation	8,581		8,581
Printing & duplication	7,660		7,660
Travel	3,825	2,891	6,716
Awards banquet	6,208		6,208
Promotion	5,717		5,717
Taxes & licenses	4,988		4,988
Dues & subscriptions	4,490		4,490
Equipment repair & maintenance	4,203		4,203
Building repair & maintenance	3,471		3,471
Office supplies	2,243		2,243
Fulfillment costs		2,194	2,194
Bank charges	2,141		2,141
Miscellaneous expense	2,139		2,139
Shipping	951		951
Bad debts	607		607
Board of directors meetings	344		344
Committee meetings	277		277
Solicitation costs		50	50
Overhead allocation	(231,559)	38,640	(192,919)
Labor allocation	(469,159)	78,290	(390,869)
	<u>\$ 168,158</u>	<u>\$ 122,065</u>	<u>\$ 290,223</u>