



USA WATER SKI & WAKE SPORTS, INC.

Financial Statements

For the Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Water Ski & Wake Sports, Inc.
Auburndale, Florida

Opinion

We have audited the accompanying financial statements of USA Water Ski & Wake Sports, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 Water Ski & Wake Sports, Inc. as of December 31, 2023, and the changes in 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 Water Ski & Wake Sports, 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.

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 Water Ski & Wake Sports, 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 Water Ski & Wake Sports, 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 Water Ski & Wake Sports, 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.

Report on Summarized Comparative Information

We have previously audited USA Water Ski & Wake Sports, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado

June 28, 2024

USA WATER SKI & WAKE SPORTS, INC.

Statement of Financial Position

December 31, 2023

(With Comparative Totals for December 31, 2022)

| | <u>ASSETS</u> | |
|---|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,183,901 | \$ 1,164,982 |
| Short-term investments | 454,362 | 390,944 |
| Accounts receivable | 3,035 | 17,747 |
| Prepaid expenses | 5,026 | 11,697 |
| | <hr/> | <hr/> |
| Total current assets | 1,646,324 | 1,585,370 |
| LONG-TERM INVESTMENTS | 20,571 | 20,000 |
| PROPERTY AND EQUIPMENT, at cost: | | |
| Computers and software | 11,942 | 11,942 |
| Furniture and equipment | 5,550 | 5,550 |
| Less accumulated depreciation | (17,492) | (17,492) |
| | <hr/> | <hr/> |
| Property and equipment - net | | |
| TOTAL ASSETS | <u>\$ 1,666,895</u> | <u>\$ 1,605,370</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 6,655 | \$ 41,318 |
| Accrued liabilities | 62,193 | 49,743 |
| Refundable advances | | 5,000 |
| Current portion of deferred revenue | 392,420 | 410,239 |
| | <hr/> | <hr/> |
| Total current liabilities | 461,268 | 506,300 |
| LONG-TERM DEFERRED REVENUE | 7,475 | 18,339 |
| | <hr/> | <hr/> |
| Total liabilities | 468,743 | 524,639 |
| NET ASSETS: | | |
| Net assets without donor restrictions | 694,667 | 588,777 |
| Net assets without donor restrictions - board designated | 494,348 | 478,832 |
| | <hr/> | <hr/> |
| Total net assets without donor restrictions | 1,189,015 | 1,067,609 |
| Net assets with donor restrictions | 9,137 | 13,122 |
| | <hr/> | <hr/> |
| Total net assets | 1,198,152 | 1,080,731 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,666,895</u> | <u>\$ 1,605,370</u> |

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2023 Totals</u> | <u>2022 Totals</u> |
|---|---------------------------------------|------------------------------------|------------------------|------------------------|
| SUPPORT AND REVENUE: | | | | |
| Membership registrations | \$ 943,683 | \$ | \$ 943,683 | \$ 1,063,089 |
| National and regional tournaments | 221,358 | | 221,358 | 203,954 |
| Event sanctioning income | 147,189 | | 147,189 | 157,503 |
| Sport development | 133,352 | | 133,352 | 118,988 |
| Marketing and partnership | 83,289 | | 83,289 | 110,066 |
| Investment income (loss), net | 79,682 | | 79,682 | (68,512) |
| Publication income | 75,574 | | 75,574 | 79,550 |
| USOPC grants | 66,600 | | 66,600 | 58,100 |
| Approved towboat testing | 33,000 | | 33,000 | 33,000 |
| Contributions | 22,914 | 1,134 | 24,048 | 31,492 |
| Other income | 17,259 | | 17,259 | 12,950 |
| Merchandise sales | 7,373 | | 7,373 | 32,477 |
| Special event revenue | 6,925 | | 6,925 | 26,283 |
| Other grant | | | | 293,598 |
| Sport discipline income | 817 | | 817 | |
| Satisfaction of program restrictions | <u>5,119</u> | <u>(5,119)</u> | | |
| Total support and revenue | 1,844,134 | (3,985) | 1,840,149 | 2,229,581 |
| EXPENSES: | | | | |
| Program services: | | | | |
| Membership | 551,038 | | 551,038 | 535,529 |
| National tournaments | 229,262 | | 229,262 | 161,080 |
| Publication | 180,711 | | 180,711 | 180,943 |
| Sport development | 156,250 | | 156,250 | 425,216 |
| Regional expense | 103,373 | | 103,373 | 78,738 |
| Sport discipline expense | 82,463 | | 82,463 | 122,751 |
| Competitions | 44,759 | | 44,759 | 39,067 |
| National teams | 22,892 | | 22,892 | 23,493 |
| Towboat program | <u>16,372</u> | | <u>16,372</u> | <u>12,978</u> |
| Total program services | 1,387,120 | | 1,387,120 | 1,579,795 |
| Supporting services: | | | | |
| General and administrative | 208,146 | | 208,146 | 242,155 |
| Sponsorship development | <u>127,462</u> | | <u>127,462</u> | <u>114,742</u> |
| Total supporting services | <u>335,608</u> | | <u>335,608</u> | <u>356,897</u> |
| Total expenses | <u>1,722,728</u> | | <u>1,722,728</u> | <u>1,936,692</u> |
| CHANGE IN NET ASSETS | 121,406 | (3,985) | 117,421 | 292,889 |
| NET ASSETS, beginning of year | <u>1,067,609</u> | <u>13,122</u> | <u>1,080,731</u> | <u>787,842</u> |
| NET ASSETS, end of year | <u>\$ 1,189,015</u> | <u>\$ 9,137</u> | <u>\$ 1,198,152</u> | <u>\$ 1,080,731</u> |

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

| | Membership | Sport Development | Publication | National Tournaments | Sport Discipline | Regional | Competitions | National Teams |
|-------------------------------------|-------------------|----------------------|-------------------|-------------------------|---------------------|-------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Awards banquet | | | | 728 | | | | |
| Awards, scholarships & stipends | | | | 8,143 | 1,155 | 4,988 | | |
| AWSA admin fees | | | | 24,334 | | 4,000 | | |
| Background screenings | | 17,700 | | | | | | |
| Bank charges & credit card fees | 10,366 | 3,808 | 6,085 | 2,186 | | 379 | 2,544 | 979 |
| Clinic, club & camp expenses | | | | | | 1,200 | | |
| Committees & meetings | | | | | 1,387 | 10,750 | | |
| Computer supplies & service | 12,806 | 4,704 | 7,517 | 2,701 | 12,662 | 1,392 | 3,143 | 1,209 |
| Contributions | | | | | | 7,825 | | |
| Depreciation | | | | | | | | |
| Dues & subscriptions | 736 | 270 | 432 | 155 | | | 181 | 70 |
| Employee benefits | 10,381 | 3,813 | 6,093 | 2,189 | | | 2,548 | 980 |
| Entry fees | | | | 97,339 | | | | |
| Equipment repair & vehicle expenses | | 19,710 | | | | | | |
| Exhibits | | | | 7,629 | | | | |
| Fundraising expenses | | | | | 1,371 | | | |
| General event expenses | | | | 16,801 | 26,030 | 1,705 | | |
| Grants | | | | | | | | |
| Grassroots series | | 10,120 | | | | | | |
| Insurance | 384,431 | 6,006 | 9,598 | 3,448 | 1,282 | | 4,013 | 1,544 |
| Junior team & development | | | | | 37,099 | 42,988 | | |
| Magazine production | | | 55,345 | | | | | |
| Miscellaneous expenses | 1,052 | 386 | 617 | 2,020 | | 2,191 | 258 | 99 |
| Office supplies | 1,917 | 704 | 1,125 | 404 | | 62 | 471 | 181 |
| Officials expenses | | | | 10,318 | 530 | 2,400 | | |
| Payroll taxes | 8,061 | 2,961 | 4,731 | 1,700 | | | 1,978 | 761 |
| Postage | | | 17,444 | | | | | |
| Printing & duplication | | | | | | | | |
| Professional fees | 9,329 | 3,426 | 5,475 | 1,967 | | | 2,289 | 881 |
| Promotion & marketing | | 10,907 | | | | | | |
| Regional expenses | | | 572 | | | 6,572 | | |
| Retirement plan | 4,327 | 1,589 | 2,540 | 1,322 | | | 1,062 | |
| Salaries | 106,840 | 39,242 | 62,708 | 22,531 | | | 26,220 | 10,089 |
| Shipping & fulfillment | | | | | | | | 962 |
| Sport discipline expenses | | 30,826 | | | | | | |
| Taxes, licenses & permits | 212 | 78 | 124 | 45 | | | 52 | 20 |
| Team merchandise | | | | | | | | 5,117 |
| Travel | 580 | | 305 | | 947 | 16,921 | | |
| TV production | | | | 22,902 | | | | |
| VIP reception expenses | | | | 400 | | | | |
| | <u>\$ 551,038</u> | <u>\$ 156,250</u> | <u>\$ 180,711</u> | <u>\$ 229,262</u> | <u>\$ 82,463</u> | <u>\$ 103,373</u> | <u>\$ 44,759</u> | <u>\$ 22,892</u> |

| | Towboat Program | Total Program Services | Supporting Services | | Total Supporting Services | 2023 Total Expenses | 2022 Total Expenses |
|-------------------------------------|--------------------|------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------|---------------------------|
| | | | General and Administrative | Sponsorship Development | | | |
| Awards banquet | \$ | \$ 728 | \$ 17,667 | \$ | \$ 17,667 | \$ 18,395 | \$ 15,773 |
| Awards, scholarships & stipends | | 14,286 | | | | 14,286 | 16,790 |
| AWSA admin fees | | 28,334 | | | | 28,334 | |
| Background screenings | | 17,700 | | | | 17,700 | 22,172 |
| Bank charges & credit card fees | 845 | 27,192 | 9,511 | 6,796 | 16,307 | 43,499 | 34,665 |
| Clinic, club & camp expenses | | 1,200 | | | | 1,200 | 91,602 |
| Committees & meetings | | 12,137 | (502) | | (502) | 11,635 | 7,012 |
| Computer supplies & service | 1,044 | 47,178 | 17,251 | 8,396 | 25,647 | 72,825 | 55,782 |
| Contributions | | 7,825 | | | | 7,825 | 6,930 |
| Depreciation | | | | | | | 1,296 |
| Dues & subscriptions | 60 | 1,904 | 676 | 483 | 1,159 | 3,063 | 3,036 |
| Employee benefits | 846 | 26,850 | 9,526 | 6,805 | 16,331 | 43,181 | 44,394 |
| Entry fees | | 97,339 | | | | 97,339 | 76,490 |
| Equipment repair & vehicle expenses | 1,345 | 21,055 | | | | 21,055 | 13,890 |
| Exhibits | | 7,629 | | | | 7,629 | 15,380 |
| Fundraising expenses | | 1,371 | | 796 | 796 | 2,167 | 3,388 |
| General event expenses | | 44,536 | | | | 44,536 | 60,616 |
| Grants | | | | | | | 190,965 |
| Grassroots series | | 10,120 | | | | 10,120 | 19,018 |
| Insurance | 1,333 | 411,655 | 15,004 | 10,720 | 25,724 | 437,379 | 406,401 |
| Junior team & development | | 80,087 | | | | 80,087 | 88,308 |
| Magazine production | | 55,345 | | | | 55,345 | 66,524 |
| Miscellaneous expenses | 86 | 6,709 | 9,569 | 689 | 10,258 | 16,967 | 14,271 |
| Office supplies | 156 | 5,020 | 2,723 | 1,257 | 3,980 | 9,000 | 8,519 |
| Officials expenses | | 13,248 | | | | 13,248 | 10,481 |
| Payroll taxes | 657 | 20,849 | 7,397 | 5,285 | 12,682 | 33,531 | 32,419 |
| Postage | | 17,444 | 485 | | 485 | 17,929 | 20,792 |
| Printing & duplication | | | | | | | 296 |
| Professional fees | 761 | 24,128 | 8,560 | 6,116 | 14,676 | 38,804 | 63,450 |
| Promotion & marketing | | 10,907 | | | | 10,907 | 370 |
| Regional expenses | | 7,144 | | | | 7,144 | 2,744 |
| Retirement plan | 353 | 11,193 | 3,970 | 2,837 | 6,807 | 18,000 | 20,559 |
| Salaries | 8,711 | 276,341 | 100,563 | 70,042 | 170,605 | 446,946 | 440,063 |
| Shipping & fulfillment | | 962 | | 5,536 | 5,536 | 6,498 | 7,823 |
| Sport discipline expenses | | 30,826 | | | | 30,826 | 27,573 |
| Taxes, licenses & permits | 17 | 548 | 197 | 139 | 336 | 884 | 2,284 |
| Team merchandise | | 5,117 | | | | 5,117 | 6,927 |
| Travel | 158 | 18,911 | 5,549 | 1,565 | 7,114 | 26,025 | 13,489 |
| TV production | | 22,902 | | | | 22,902 | 23,800 |
| VIP reception expenses | | 400 | | | | 400 | 400 |
| | <u>\$ 16,372</u> | <u>\$ 1,387,120</u> | <u>\$ 208,146</u> | <u>\$ 127,462</u> | <u>\$ 335,608</u> | <u>\$ 1,722,728</u> | <u>\$ 1,936,692</u> |

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.

Statement of Cash Flows

For the Year Ended December 31, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 117,421 | \$ 292,889 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | | 1,296 |
| Net realized and unrealized (gains) loss on investments | (72,209) | 71,788 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable | 14,712 | (10,506) |
| Prepaid expenses | 6,671 | (1,125) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (34,663) | 35,242 |
| Accrued liabilities | 12,450 | (4,085) |
| Refundable advances | (5,000) | 5,000 |
| Deferred revenue | <u>(28,683)</u> | <u>(166,497)</u> |
| Total adjustments | <u>(106,722)</u> | <u>(68,887)</u> |
| Net cash provided by operating activities | 10,699 | 224,002 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Change in investments, net | <u>8,220</u> | <u>(1,486)</u> |
| Net cash provided (used) by investing activities | <u>8,220</u> | <u>(1,486)</u> |
| NET INCREASE IN CASH | 18,919 | 222,516 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>1,164,982</u> | <u>942,466</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 1,183,901</u> | <u>\$ 1,164,982</u> |

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.
Notes to Financial Statements
For the Year Ended December 31, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Water Ski & Wake Sports, Inc. (the Corporation) is the national governing body of organized water skiing in the United States. The Corporation's name was changed from USA Water Ski, Inc. in 2018. The Corporation is a member of the International Water Ski Federation, the Pan American Sports Organization, and the United States Olympic & Paralympic Committee (USOPC). Affiliated with the Corporation 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 Adaptive Water Ski & Wake Sports, and USA Wakeboard. The sports disciplines that are separate legal entities are not included in these financial statements.

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 as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates making it reasonably possible that a change in these estimates could occur in the near term.

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Accounts Receivable

Accounts receivable recognized by the Corporation include amounts from contracts with customers and are stated at the amount the Corporation expects to collect from balances outstanding at year end. Receivables from contracts with customers at the beginning and end of the period were \$7,241 and \$3,035, respectively.

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.

Based on the Corporation's experience with customers having outstanding balances, it has been concluded that any losses on balances outstanding at year end will not be material. Therefore, no allowance for credit loss is considered necessary.

Property and Equipment

Property and equipment consist 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 seven years for furniture, equipment, computers, and software. Depreciation expense for the years ended December 31, 2023 and 2022, was \$0 and \$1,999, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions. Contributions and grants with donor restrictions are reported as support and revenue without donor restrictions if the restriction is met in the same year that the gift is received.

Contributions include United States Olympic & Paralympic Committee (USOPC), Employee Retention Credit and other grants.

Donated Assets, Property and Equipment, and Services

The Corporation's policy related to donated assets is to utilize the assets given to carry out the mission of the Corporation. If an asset is provided that does not allow the Corporation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation.

A substantial number of volunteers donated time to the Corporation's program services; however, the estimated value was not recorded because they did not meet the criteria for recognition described above.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers

Membership registrations

The Corporation shall be a membership organization of individuals open to all who subscribe to the vision, mission, and objectives of USA-WSWS.

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing membership to its members. The Corporation currently has memberships in the following significant categories with various fees and services provided: Active athlete, grassroots member, key supporting member, club, and guest.

The Corporation may, at the discretion of the Board, provide for different types of memberships, such as individual, family, etc.; with reasonable fees, rights, and privileges as it may establish from time to time. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Membership dues are nonrefundable.

National and regional tournaments & Event sanctioning income

As the national governing body for water skiing and wakeboarding, the Corporation usually sanctions more than 900 tournaments each season. These range from small, local events for novices to national and world-level tournaments for more experienced competitors. Male and female skiers of all ages can compete in traditional three-event water skiing (slalom, tricks, jumping) tournaments, as well as in tournaments for wakeboarding, barefooting, kneeboarding, show skiing, collegiate water skiing and wakeboarding, water ski racing, hydrofoiling and disabled water skiing.

Tournament and sanction revenue from these events are recognized at the time of the event, which recognizes the completion of the Corporation's performance obligations.

Marketing and partnership

The Corporation recognizes revenue from contracts with both sponsors and suppliers of USA Water Ski & Wake Sports, Inc. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Corporation will

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Marketing and partnership - continued

recognize revenue over time. The Corporation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the respective agreements.

Publication income

The Corporation publishes a premier industry magazine four times per year and is mailed to all members. The publication includes advertising and advertorial opportunities, and provides event previews and recaps, as well as feature stories.

The Corporation completes its performance obligations upon publication of the magazine and recognizes income at that time.

Merchandise sales

The Corporation sells licensed merchandise to members and nonmembers through their website and at tournaments and events. Revenue is recognized as products are sold and provided to customers.

Other revenue

The Corporation conducts various other programs and services for its members and others. Other revenue from contracts with customers includes sport development, and approved towboat testing.

The Corporation recognizes revenue from these programs and services as members and others pay for services and performance obligations are satisfied by the Corporation.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - continued

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. The management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the years ended December 31, 2023 and 2022.

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting services based on salary and estimated time and effort spent in the related departments. For the years ended December 31, 2023 and 2022, the Corporation's supporting service expenses amounted to 18.24% and 16.01%, respectively, of total expenses.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 28, 2024, the date that the financial statements were available to be issued.

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY

The Corporation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to effectively invest funds in the sole interest of meeting the financial goals of the Corporation and its mission. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, and short-term investments, which include certificates of deposit held by one of the Sport Regions. The Corporation does not have an official investment policy; however, Management and the Board of Directors oversee all investment decisions.

In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation strives to produce a conservative budget and anticipates collecting revenue from conducting its program services to adequately cover operating expenses.

The following table reflects the Corporation's financial assets as of December 31, 2023 and 2022. Additionally, the Corporation has funds designated by the Board of Directors for the benefit of the various Sport Disciplines and Regions (Note H), and funds designated by donors for the benefit of various program services (Note I).

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,183,901 | \$ 1,164,982 |
| Short-term investments | 454,362 | 390,944 |
| Accounts receivable | <u>3,035</u> | <u>17,747</u> |
| Total financial assets | 1,641,298 | 1,573,673 |
| Less amounts with board restrictions (Note H) | (494,348) | (478,832) |
| Less amounts with donor restrictions - temporary (Note I) | <u>(9,137)</u> | <u>(13,122)</u> |
| Financial assets available within one year | <u>\$ 1,137,813</u> | <u>\$ 1,081,719</u> |

Notes to Financial Statements

C. 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.

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, 2023 and 2022:

Assets at Fair Value as of December 31, 2023

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------|-------------------|-------------------|----------------|-------------------|
| Equity securities: | | | | |
| Common stock & ETFs | \$ 243,696 | \$ | \$ | \$ 243,696 |
| Structured products | | 89,213 | | 89,213 |
| Mutual funds | 107,016 | | | 107,016 |
| Money market | <u>14,438</u> | <u>20,570</u> | | <u>35,008</u> |
| | <u>\$ 365,150</u> | <u>\$ 109,783</u> | <u>\$</u> | <u>\$ 474,933</u> |

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

| <u>Assets at Fair Value as of December 31, 2022</u> | | | | |
|---|-------------------|------------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equity securities: | | | | |
| Common stock & ETFs | \$ 200,855 | \$ | \$ | \$ 200,855 |
| Structured products | | 70,915 | | 70,915 |
| Mutual funds | 105,811 | | | 105,811 |
| Money market | 13,363 | 20,000 | | 33,363 |
| | <u>\$ 320,029</u> | <u>\$ 90,915</u> | <u>\$</u> | <u>\$ 410,944</u> |

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|------------------------|------------------|--------------------|
| Realized gains | \$ 10,025 | \$ (18,052) |
| Unrealized gains | 62,184 | (53,736) |
| Interest and dividends | 11,847 | 7,621 |
| Investment fees | (4,374) | (4,345) |
| | <u>\$ 79,682</u> | <u>\$ (68,512)</u> |

D. USA WATER SKI AND WAKE SPORTS FOUNDATION

The USA Water Ski & Wake Sports Foundation (the Foundation) is a separate exempt entity created 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 competitions.

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

Notes to Financial Statements

E. DEFERRED REVENUE

Deferred revenue recognized by the Corporation includes amounts from contracts with customers. Deferred revenue consists of the following at December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------|-------------------|-------------------|
| Memberships | \$ 379,520 | \$ 394,073 |
| Sanction fees | <u>20,375</u> | <u>34,505</u> |
| | <u>\$ 399,895</u> | <u>\$ 428,578</u> |

Deferred sanction fees include amounts collected by the Corporation that are paid quarterly to the respective sport regions. This is deferred revenue of the sport regions.

F. REFUNDABLE ADVANCES

In accordance with FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), the Corporation classified conditional promises to give subject to donor-imposed conditions received in prior years as refundable advances at December 31, 2023 and 2022. As the Corporation satisfies the barriers and conditions set forth in the respective grant contracts, revenue is recognized accordingly.

Refundable advances consist of the following at December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|----------------------|-----------------|-----------------|
| USOPC grant (Note K) | <u>\$ _____</u> | <u>\$ 5,000</u> |

G. RETIREMENT PLAN

The Corporation has a 401(k)-profit sharing plan for its employees. Employees are eligible to participate if they are over the age of 21 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, 2023 and 2022, amounted to \$18,000 and \$15,995, respectively.

Notes to Financial Statements

H. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

At December 31, 2023 and 2022, Net assets without donor restrictions - board designated consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|-------------------|-------------------|
| American Water Ski Association | \$ 137,488 | \$ 113,190 |
| Midwest region | 80,210 | 74,886 |
| American Barefoot Club | 70,324 | 87,573 |
| Western region | 70,243 | 71,497 |
| Junior Development Funds | 41,148 | 41,959 |
| Eastern region | 34,887 | 37,039 |
| Southern region | 26,514 | 34,339 |
| South Central region | 21,185 | 22,689 |
| Wakeboard | 8,052 | 4,703 |
| American Kneeboard Association | 4,297 | 4,079 |
| | <u>\$ 494,348</u> | <u>\$ 491,954</u> |

I. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2023 and 2022, are available for the following purposes:

| | <u>2023</u> | <u>2022</u> |
|--------------------|-----------------|------------------|
| Teams-age specific | \$ 8,155 | \$ 10,391 |
| Physician | 982 | 2,062 |
| Teams-other | _____ | 669 |
| | <u>\$ 9,137</u> | <u>\$ 13,122</u> |

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2023 and 2022, net assets with donor restrictions were released for the following programs:

| | <u>2023</u> | <u>2022</u> |
|--------------------|-----------------|------------------|
| Teams-age specific | \$ 3,370 | \$ 5,118 |
| Physician | 1,080 | 1,401 |
| Teams-other | 669 | 581 |
| Elite Team | _____ | 19,711 |
| | <u>\$ 5,119</u> | <u>\$ 26,811</u> |

Notes to Financial Statements

J. 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. The Corporation granted funding to these regions and disciplines in the total amount of \$64,028 and \$60,965 during the years ended December 31, 2023 and 2022, respectively. The amount of revenue and expense for the regions and sports disciplines included in these financial statements have been eliminated.

K. RELATED PARTIES

During the years ended December 31, 2023 and 2022, the USOPC provided grants to the Corporation of \$66,600 and \$58,100, respectively. The grants awarded during the years ended December 31, 2023 and 2022, consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|----------------------|------------------|-------------------|
| Administration costs | \$ 38,500 | \$ 58,100 |
| Shared services | 23,100 | |
| Coaching | <u>5,000</u> | <u> </u> |
| | <u>\$ 66,600</u> | <u>\$ 58,100</u> |

In addition, the Corporation received \$50,000 for the digital media agreement, which is considered a contract with a customer, and is included in marketing and partnership revenue on the accompanying statement of activities. The Corporation received a \$5,000 award for diversity, equity, and inclusion. The funding was provided by the USOPC but the award was voted upon by the national governing bodies of many sports.

L. LEASES

The Corporation assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As the Corporation's leases do not provide an implicit rate, the Corporation uses the risk-free discount rate based on the five-year Treasury bond rate as of the later of the date of adoption of the lease standard or the initial date of the lease term in determining the present value of lease payments in determination of the respective right-of-use (ROU) assets and liabilities.

Under ASU 2016-02, the Corporation has made an accounting policy election to apply the short-term lease recognition exemption for all applicable classes of underlying assets.

Notes to Financial Statements

L. LEASES - Continued

Leases with a term of 12 months or less that do not include an option to purchase the underlying asset, are not recorded on the balance sheet as ROU assets or lease liabilities.

The Corporation has elected to expense the cost of the short-term leases on the straight-line basis in the accompanying Statements of Activities.

The Corporation had no leases during the years ended December 31, 2023 and 2022.

Rental expenses under the leases for December 31, 2023 and 2022, were \$0 for both years.

M. EMPLOYEE RETENTION TAX CREDIT

The 2021 Coronavirus Aid, Relief, and Economic Security (CARES) act included a provision that created the employee retention credit, a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States Government which extended the credit through September 30, 2021, and expanded the credit to allow it to be equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was \$10,000 of qualified wages per quarter. The Corporation determined that it qualified for the tax credit and during the years ended December 31, 2023 and 2022, received a credit of \$0 and \$77,043, respectively. The credit received is considered a grant by the Corporation and has been recognized as Employee retention credit revenue in the accompanying statement of activities.

N. UNCERTAINTIES

The outbreak of a novel strain of coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization, and the COVID-19 outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including the uncertainty in global financial markets, temporary closures of many businesses, suspension or cancelation of events, "shelter in place" and other governmental regulations, and job losses. The extent to which

Notes to Financial Statements

N. UNCERTAINTIES - Continued

the COVID-19 outbreak will affect the operations, collections or financial results of the Corporation is uncertain.

With the rising cost of inflation and potential recession, it is uncertain what effect these factors may have on the operations of the Corporation in the coming year.

O. CONTINGENCIES

Occasionally, in the normal conduct of business, the Corporation may be named defendant in a lawsuit or other form of legal action. In the opinion of management, any pending or threatened claims against the Corporation, as of December 31, 2023, are either without merit or will not exceed insurance limits.