

**UNITED STATES OF AMERICA WRESTLING
ASSOCIATION**

d/b/a USA Wrestling

Financial Statements

For the Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United States of America Wrestling Association
d/b/a USA Wrestling
Colorado Springs, Colorado

We have audited the accompanying financial statements of United States of America Wrestling Association, d/b/a USA Wrestling (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 United States of America Wrestling Association, d/b/a USA Wrestling, as of August 31, 2020, 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 United States of America Wrestling Association, d/b/a USA Wrestling's August 31, 2019, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note A to the financial statements, during the year ended August 31, 2020, United States of America Wrestling Association, d/b/a USA Wrestling adopted Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers*, and ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

As also described in Note A to the financial statements, during the year ended August 31, 2020, United States of America Wrestling Association, d/b/a USA Wrestling adopted Accounting Standards Update ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*.

Our opinion is not modified with respect to these matters.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
December 16, 2020

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING

Statement of Financial Position

August 31, 2020

(With Comparative Amounts for 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,273,864	\$ 3,662,111
Short-term investments	6,326,218	5,778,607
Accounts receivable, net	73,312	146,335
Due from the USOPC	398,413	342,344
Current portion of pledges receivable	660,000	1,285,000
Inventory	256,181	184,753
Prepaid expenses	<u>745,883</u>	<u>534,116</u>
Total current assets	11,733,871	11,933,266
LONG-TERM PLEDGES RECEIVABLE, net	98,039	271,345
PROPERTY AND EQUIPMENT:		
Furniture and equipment	437,977	450,933
Building and improvements	550,859	543,721
Wrestling room improvements	222,611	222,611
Land	71,416	71,416
Less accumulated depreciation	<u>(853,162)</u>	<u>(797,648)</u>
Property and equipment, net	<u>429,701</u>	<u>491,033</u>
TOTAL ASSETS	<u>\$ 12,261,611</u>	<u>\$ 12,695,644</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,190,238	\$ 1,256,128
Due to the USOPC	14,226	118,001
Deferred revenue	776,256	995,779
Current portion of notes payable	<u>82,539</u>	<u> </u>
Total current liabilities	2,063,259	2,369,908
LONG-TERM LIABILITIES:		
Notes payable	<u>547,461</u>	<u> </u>
TOTAL LIABILITIES	2,610,720	2,369,908
NET ASSETS:		
Without donor restrictions	897,656	758,112
Without donor restrictions - Board designated	1,742,508	1,667,459
With donor restrictions	<u>7,010,727</u>	<u>7,900,165</u>
Total net assets	<u>9,650,891</u>	<u>10,325,736</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,261,611</u>	<u>\$ 12,695,644</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
SUPPORT AND REVENUE:				
Membership	\$ 6,027,155	\$	\$ 6,027,155	\$ 6,635,931
USOPC grants		1,515,517	1,515,517	1,452,811
Corporate sponsorship	889,835		889,835	1,277,684
Events and educational programs	656,574		656,574	2,155,485
Grants and contributions	396,192	259,195	655,387	697,275
Investment income, net	164,410	387,038	551,448	83,888
Royalties and licensing fees	402,756		402,756	406,605
Tour and program revenue	333,029		333,029	871,045
USOPC digital media	300,000		300,000	300,000
Newspaper and internet income	129,615		129,615	125,591
Other	3,400		3,400	5,645
Loss on disposal of equipment	(1,728)		(1,728)	(599)
Satisfied program restrictions	<u>3,051,188</u>	<u>(3,051,188)</u>		
Total support and revenue	12,352,426	(889,438)	11,462,988	14,011,361
EXPENSES:				
Program services:				
National Team	5,023,358		5,023,358	7,196,780
Membership	4,357,927		4,357,927	4,546,393
Events and educational programs	1,454,625		1,454,625	2,447,985
Promotions and sport development	<u>138,702</u>		<u>138,702</u>	<u>143,587</u>
Total program services	10,974,612		10,974,612	14,334,745
Supporting services:				
Marketing and fundraising	670,351		670,351	764,815
General and administrative	<u>492,870</u>		<u>492,870</u>	<u>518,102</u>
Total supporting services	<u>1,163,221</u>		<u>1,163,221</u>	<u>1,282,917</u>
Total expenses	<u>12,137,833</u>		<u>12,137,833</u>	<u>15,617,662</u>
CHANGE IN NET ASSETS	214,593	(889,438)	(674,845)	(1,606,301)
NET ASSETS, beginning of year	<u>2,425,571</u>	<u>7,900,165</u>	<u>10,325,736</u>	<u>11,932,037</u>
NET ASSETS, end of year	<u>\$ 2,640,164</u>	<u>\$ 7,010,727</u>	<u>\$ 9,650,891</u>	<u>\$ 10,325,736</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING

Statement of Functional Expenses
For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	National Team	Membership	Events and Educational Programs	Promotions & Sport Development	Total Programs
Accident insurance	\$	\$ 903,718	\$	\$	\$ 903,718
Advertising					
Apparel	17,706		4,280		21,986
Athlete assistance	834,055				834,055
Bad debt expense	(1,495)	(452)	(66)		(2,013)
Bank charges & fees	4,928	209,189	7,724		221,841
Communications	20,637	14,730	7,670		43,037
Depreciation	40,880	13,448	12,038		66,366
Dues & subscriptions	1,011	39,693	309		41,013
Employee search & relocation					
Event expenses	2,742	348		20,535	23,625
Gifts & awards	1,037	10,400	38,856		50,293
Hospitality & protocol	2,921	2,454	4,980		10,355
Insurance	52,477	109,853	17,849		180,179
Interest	888	642	271		1,801
Internet/bracketing		10,221	6,277		16,498
Legal & accounting fees	9,380	6,775	2,866		19,021
Liability insurance		1,011,053			1,011,053
Maintenance & repair	4,592	3,287	1,391		9,270
Medical expenses	2,926				2,926
Occupancy	15,723	11,312	4,786		31,821
Office activities	24,486	17,686	7,629		49,801
Other expenses	17,511	14,817	37,724	2,124	72,176
Other professional fees	648	12,861	198		13,707
Outside services & honoraria	252,861	139,678	96,206		488,745
Postage & shipping	6,527	149,138	30,188		185,853
Printing	1,250	30,217	832	85	32,384
Production costs		136,331			136,331
Professional development	23	17	7		47
Promotions & publicity	1,636	1,575	20,399	26,353	49,963
Recruiting	343	248	105		696
Salaries, benefits & payroll taxes	2,135,921	1,239,819	1,022,046		4,397,786
Site costs	6,115		56,481		62,596
Sponsor & employee relations					
State association expense		220,112			220,112
Supplies & equipment	154,559	3,753	2,833		161,145
Trainers	930		3,492		4,422
Travel & lodging	1,375,861	45,004	56,527	89,605	1,566,997
UWW & international relations			3,377		3,377
Visas & UWW licenses	34,279		7,350		41,629
	<u>\$ 5,023,358</u>	<u>\$ 4,357,927</u>	<u>\$ 1,454,625</u>	<u>\$ 138,702</u>	<u>\$ 10,974,612</u>

	<u>General & Administrative</u>				
	<u>Marketing & Fundraising</u>	<u>National Office</u>	<u>Board of Directors & Committees</u>	<u>2020 Total</u>	<u>2019 Total</u>
Accident insurance	\$	\$	\$	\$ 903,718	\$ 946,131
Advertising	2,337			2,337	2,962
Apparel				21,986	87,499
Athlete assistance				834,055	1,341,423
Bad debt expense	(208)	(261)		(2,482)	20,476
Bank charges & fees	3,641	2,053		227,535	267,403
Communications	6,853	8,675	300	58,865	61,235
Depreciation	6,207	7,758		80,331	76,900
Dues & subscriptions	337	421		41,771	35,997
Employee search & relocation					1,927
Event expenses				23,625	89,322
Gifts & awards	5,371			55,664	149,740
Hospitality & protocol	9,522	11,408	630	31,915	71,237
Insurance	3,073	3,510	44,320	231,082	84,397
Interest	296	370		2,467	
Internet/bracketing				16,498	51,712
Legal & accounting fees	3,127	3,908		26,056	37,946
Liability insurance				1,011,053	823,023
Maintenance & repair	1,517	1,896		12,683	13,872
Medical expenses				2,926	26,361
Occupancy	5,221	22,455		59,497	66,712
Office activities	8,163	10,204		68,168	65,564
Other expenses	944	7,616	2,316	83,052	153,002
Other professional fees	216	2,126		16,049	10,437
Outside services & honoraria	9,045	17,513		515,303	656,670
Postage & shipping	5,463	2,721		194,037	286,336
Printing	772	505		33,661	44,963
Production costs				136,331	215,513
Professional development	8	10		65	5,500
Promotions & publicity	694	17,996		68,653	127,693
Recruiting	114	143		953	504
Salaries, benefits & payroll taxes	529,052	264,746		5,191,584	5,206,957
Site costs				62,596	303,450
Sponsor & employee relations	36,235			36,235	38,790
State association expense				220,112	268,042
Supplies & equipment	2,924			164,069	285,872
Trainers				4,422	37,786
Travel & lodging	29,242	30,067	13,461	1,639,767	3,537,347
UWW & international relations		16,003		19,380	12,101
Visas & UWW licenses	185			41,814	104,860
	<u>\$ 670,351</u>	<u>\$ 431,843</u>	<u>\$ 61,027</u>	<u>\$ 12,137,833</u>	<u>\$ 15,617,662</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING

Statement of Cash Flows
For the Year Ended August 31, 2020
(With Comparative Amounts for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (674,845)	\$ (1,606,301)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	106,082	102,037
Loss on disposal of equipment	1,728	599
Restricted investment income	(387,038)	(43,786)
Restricted contributions	(259,195)	(387,620)
Realized gain on investments	(72,779)	(229,376)
Unrealized (gain) loss on investments	(398,545)	249,757
Decrease (increase) in assets:		
Accounts receivable	73,023	42,755
Due from the USOC	(56,069)	(1,878)
Inventory	(71,428)	(49,279)
Prepaid expenses	(211,767)	(396,119)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(65,890)	(1,990)
Due to the USOPC	(103,775)	96,868
Deferred revenue	(219,523)	417,279
Total adjustments	<u>(1,665,176)</u>	<u>(200,753)</u>
Net cash used by operating activities	(2,340,021)	(1,807,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	900,545	535,172
Purchase of investments	(976,832)	(630,982)
Acquisition of property and equipment	(46,478)	(38,267)
Net cash used by investing activities	(122,765)	(134,077)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	630,000	
Restricted investment income	387,038	43,786
Pledges receivable	798,306	1,501,181
Restricted contributions	259,195	387,620
Net cash provided by financing activities	<u>2,074,539</u>	<u>1,932,587</u>
NET DECREASE IN CASH	(388,247)	(8,544)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,662,111</u>	<u>3,670,655</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,273,864</u>	<u>\$ 3,662,111</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION

d/b/a USA WRESTLING

Notes to Financial Statements

For the Year Ended August 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States of America Wrestling Association (the Association) is the national governing body for the sport of wrestling, making it responsible for the promotion and development of its members in the United States.

The Association 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. The Association is not a private foundation.

Accounting Standards Update

On September 1, 2019, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) and 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). These two ASUs were adopted together as of September 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. ASU 2014-09 was adopted retrospectively for all periods presented.

As a result, the Association recorded a cumulative adjustment to net assets as of September 1, 2018, to reflect the effect of the new revenue recognition guidance. Adoption resulted in changes to the Association's accounting policies for revenue recognition, trade and other receivables, and deferred revenue. The impact of adopting the new guidance was an increase in 2019 revenues of \$77,095 and an increase in total net assets of \$482,228. Following are the line items from the statement of financial position as of August 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

Statement of Financial Position	As Previously Reported	Revenue Recognition Adjustment	As Adjusted
Assets:			
Due from the USOPC	\$	\$ 342,344	\$ 342,344
Liabilities:			
Deferred revenue	1,135,663	(139,884)	995,779
Net assets:			
Net assets without donor restrictions	794,412	(36,300)	758,112
Net assets with donor restrictions	7,381,637	518,528	7,900,165

The following are the line items from the statement of activities and statement of cash flows for the year ended August 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance.

Statement of Activities	As Previously Reported	Revenue Recognition Adjustment	As Adjusted
USOPC grants	\$ 1,375,716	\$ 77,095	\$ 1,452,811
Change in net assets	(1,683,396)	77,095	(1,606,301)
Net assets, beginning of the year	11,526,904	405,133	11,932,037
Net assets, end of the year	9,843,508	482,228	10,325,736

Statement of Cash Flows	As Previously Reported	Revenue Recognition Adjustment	As Adjusted
Change in net assets	\$ (1,683,396)	\$ 77,095	\$ (1,606,301)
Decrease in due from USOPC		(1,876)	(1,876)
Increase in deferred revenue	492,496	(75,217)	417,279

On September 1, 2019, the Association also adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

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 Association's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Certain amounts have been restated to conform to the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts. Balances in business accounts are federally insured up to \$250,000. The financial institution has collateralized the Association's sweep accounts by pledging 102% of the balances on deposit with securities backed by agencies of the federal government, as required by current law. In the event of a bank failure, the Association might only be able to recover the amounts insured and collateralized.

Accounts Receivable

Accounts receivable recorded by the Association include amounts from contracts with customers. Receivables from contracts with customers at the beginning and end of the period were \$146,335 and \$73,312, respectively.

The Association has recorded accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable - continued

management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance for doubtful accounts of \$250 and \$21,640 was recorded at August 31, 2020 and 2019, respectively.

Inventory

Inventory is stated at the lower of cost (first-in, first out method) or net realizable value and consists of uniforms.

Depreciation

Furniture and equipment are recorded at cost. The Association capitalizes all assets that have an original cost or fair market value of \$1,000 or greater. Depreciation is recorded using the straight-line method over the estimated useful lives for each asset as follows:

	<u>Years</u>
Furniture and equipment	3-7
Building	40

Depreciation expense for the years ended August 31, 2020 and 2019 was \$106,082 and \$102,037, respectively.

Deferred revenue

Deferred revenue, a contract liability, recognized by the Association represents amounts from contracts with customers. This revenue is deferred as of year-end because the performance obligations relating to this revenue have not yet been completed by the entities. Deferred revenue from contracts with customers at the beginning and end of the period were \$995,779 and \$776,256, respectively.

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 - temporary in nature are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions. USOPC grants are considered contributions.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services

The Association receives a substantial amount of donated services in carrying out the Association's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958.

Revenue from Contracts with Customers

Membership Revenue - Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which is over the membership term.

Membership revenue consists of the following:

	<u>2020</u>	<u>2019</u>
Athlete registrations	\$ 3,792,459	\$ 4,298,816
Non-athlete registrations	<u>2,234,696</u>	<u>2,337,115</u>
	<u>\$ 6,027,155</u>	<u>\$ 6,635,931</u>

Corporate sponsorship - The Association recognizes revenue from contracts with both sponsors and suppliers of United States of America Wrestling Association. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Association will recognize revenue over time. The Association 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 agreement with the exception of performance obligations relating to a specific activity, which is recognized at the completion of that activity.

Therefore, sponsorship revenue from contracts with customers will be recognized on a straight-line basis over the term of the agreement.

Events and education programs, tour, and program revenue - The Association receives revenue from sales related to various sporting events. The revenue is recognized at the time of the event when the performance obligations are satisfied.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Royalties and licensing fees - The Association receives royalties and licensing from sponsors. The revenue is variable based on the terms of the agreement and related sales volume. The revenue is recognized when it is determined that the performance obligations have been met.

USOPC digital media - The Association also recognizes revenue from contracts with the USOPC. As previously mentioned, USOPC grants are considered contributions by the Corporation. The USOPC media agreement is considered revenues from contracts with customers. See Note I for more information regarding those revenue streams.

Newspaper and internet income - Performance obligations in newspaper and internet contracts are satisfied as services are rendered, and therefore, the Association recognizes the revenue over time. The Association has concluded that the performance obligations are substantially the same in most years and are recognized ratably over the term of the agreement.

Income Taxes

The Association 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. Accordingly, no income tax provision has been recorded. However, income from certain activities not directly related to the Association's tax-exempt purposes is subject to taxation as unrelated business income.

The Association'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 Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs, such as salaries and related payroll costs, have been allocated on the basis of time and effort estimates among the programs and supporting services benefited.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Supplemental Cash Flow Information

During the years ended August 31, 2020 and 2019, the Association paid no interest or income taxes.

Use of Estimates in the 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 Association has evaluated events and transactions for potential recognition or disclosure through December 16, 2020, the date that the financial statements were available to be issued.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association has grant and contract funding commitments, plus anticipated membership revenue available to meet most expenses. The Association seeks donations and other contributions to cover other general expenditures.

The Association regularly monitors liquidity necessary to meet its operating needs and other contractual commitments and strives to balance anticipated needs while maximizing the investment of its available funds for the best return on the investment while protecting the safety of the Association's assets. The Association has cash and cash equivalents and accounts receivable available as current sources of liquidity.

The Association's short-term investments could be liquidated if they were needed to meet obligations for general expenditures, less the portion of the short-term investments that have donor restrictions, or that are without donor restrictions but are Board designated. Board designated funds may be utilized if necessary, with the approval of two-thirds of the Board Members required for the release of the designation.

Notes to Financial Statements

B. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

The table below presents financial assets available for general expenditures within one year at August 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,273,864	\$ 3,662,111
Short-term investments	6,326,218	5,778,607
Accounts receivable	73,312	146,335
Due from the USOPC	398,413	342,344
Current portion of pledges receivable	<u>660,000</u>	<u>1,285,000</u>
	10,731,807	11,214,397
Less assets with donor restrictions or other designations:		
Donor program restricted, net of long-term pledges receivable	6,912,688	7,628,820
Board designated	<u>1,742,508</u>	<u>1,667,459</u>
Financial assets available within one year	<u>\$ 2,076,611</u>	<u>\$ 1,918,118</u>

C. FAIR VALUE MEASUREMENTS

The Association 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 Association 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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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. Transfers between levels are recorded at the end of the period.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2020 and 2019:

Assets at Fair Value as of August 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 26,727	\$	\$	\$ 26,727
Equity securities:				
Mutual funds	1,604,874			1,604,874
Equities	392,838			392,838
Common stock	626,595			626,595
Debt securities:				
Corporate bonds		352,383		352,383
USOE pooled funds		<u>3,322,801</u>		<u>3,322,801</u>
	<u>\$ 2,651,034</u>	<u>\$ 3,675,184</u>	<u>\$</u>	<u>\$ 6,326,218</u>

Assets at Fair Value as of August 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 95,506	\$	\$	\$ 95,506
Equity securities:				
Mutual funds	1,722,848			1,722,848
Equities	183,121			183,121
Common stock	447,756			447,756
Debt securities:				
Corporate bonds		327,351		327,351
USOE pooled funds		<u>3,002,025</u>		<u>3,002,025</u>
	<u>\$ 2,449,231</u>	<u>\$ 3,329,376</u>	<u>\$</u>	<u>\$ 5,778,607</u>

The United States Olympic Endowment (USOE) investment consists of units in a pooled portfolio managed by the USOE. At August 31, 2020, the USOE portfolio consisted of the following types of securities:

Alternative investments	35.16%
Domestic equities	28.39
International equities	15.39
Domestic bonds	19.74
Cash & cash equivalents	<u>1.32</u>
	<u>100.00%</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the Association's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction. Though the market values of investments are subject to fluctuation, management believes that the investment policy is prudent for the long-term welfare of the Association.

Investment income consists of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Realized gains	\$ 72,779	\$ 229,376
Interest and dividends	103,593	124,737
Unrealized gains (losses)	398,545	(249,757)
Investment expenses	<u>(23,469)</u>	<u>(20,468)</u>
	<u>\$ 551,448</u>	<u>\$ 83,888</u>

D. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The Association distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2020 and 2019. As of August 31, 2020 and 2019, the Association had net pledges receivable of \$758,039 and \$1,556,345, respectively, representing unconditional promises to give made during the current and prior years. The pledges are scheduled to be received by the Association during the next five years. Long-term portions of the pledges were discounted using a discount rate of 2.00%.

Notes to Financial Statements

D. PLEDGES RECEIVABLE - Continued

The discount on pledges receivable was \$1,961 and \$8,655, respectively, at August 31, 2020 and 2019.

E. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Sponsorship	\$ 312,428	\$ 252,407
Olympic trials	200,000	200,000
Membership	163,828	302,281
USOPC digital media	100,000	100,000
Kazakhstan packages		107,579
Tour & participant revenue		23,900
High performance revenue		9,537
Other		75
	<u>\$ 776,256</u>	<u>\$ 995,779</u>

F. OPERATING LEASES

The Association leases a mailing system under an operating lease beginning in December 2016 and ending in February 2022. This lease requires monthly payments of \$899.

Future minimum lease payments for the years ended August 31 are as follows:

2021	\$ 10,788
2022	5,394

G. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

In prior years, the Board of Directors established separate cash and investment accounts for the purpose of creating an operating reserve.

Net assets without donor restrictions - Board designated amount to the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating reserve	<u>\$ 1,742,508</u>	<u>\$ 1,667,459</u>

Notes to Financial Statements

H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at August 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 5,237,235	\$ 5,080,580
USOPC grants	833,913	518,528
Lehman women's freestyle programs	429,164	724,034
Athlete appearance donations	198,039	305,366
Living the Dream program	111,704	136,371
Greco Roman programs	72,856	222,236
Multiple medal incentive program	47,330	47,237
Women's freestyle programs	43,233	302,690
Kiki-Wrestling for Peace	17,391	17,940
Men's freestyle programs	14,862	545,183
Legacy endowment	5,000	
	<u>\$ 7,010,727</u>	<u>\$ 7,900,165</u>

The capital campaign donations are restricted for the national team and at-risk youth programs.

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2020 and 2019, net assets were released from restrictions as follows:

	<u>2020</u>	<u>2019</u>
USOPC grants	\$ 1,200,132	\$ 1,342,200
Men's freestyle programs	542,497	609,359
Women's freestyle programs	329,680	329,775
Lehman women's freestyle programs	294,870	603,266
Capital campaign	229,825	
Greco Roman programs	186,518	342,417
Living the Dream program	154,500	179,209
Athlete appearance donations	111,210	98,702
Kiki-Wrestling for Peace	1,957	12,413
Kiki-Greco Roman programs		30,517
	<u>\$ 3,051,189</u>	<u>\$ 3,547,858</u>

Notes to Financial Statements

I. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2020 and 2019, the United States Olympic and Paralympic Committee (USOPC) provided grants to the Association under the following categories:

	<u>2020</u>	<u>2019</u>
NGB Funding	\$ 1,426,000	\$ 1,336,000
Value in-kind	68,870	84,011
Special grants	20,647	
International relations grant		32,800
	<u>\$ 1,515,517</u>	<u>\$ 1,452,811</u>

In addition to the above grants, the Association recognized \$300,000 for revenue received from the USOPC for its digital media agreement during both years ended August 31, 2020 and 2019. The agreement was extended through December 31, 2020, and the Association anticipates that this agreement will continue under essentially the same terms through December 31, 2021.

The USOPC also provides significant value in-kind support in the form of room and board at the Olympic and Paralympic Training Center in Colorado Springs to support resident athlete programs and a number of camps. No amount has been reflected in these financial statements for this support.

At August 31, 2020 and 2019, the Association owed the USOPC \$14,226 and \$118,001, respectively, for Olympic and Paralympic Training Center expenses, as well as event related expenses.

The USOPC paid stipends directly to athletes in the years ended August 31, 2020 and 2019.

The Association is economically dependent upon grants from the USOPC in order to maintain its programs at current levels.

J. PENSION PLAN

The Association has a tax-sheltered annuity pension plan that covers substantially all of its employees. The plan allows for voluntary employee contributions, as well as discretionary employer contributions which are a percentage of compensation for all employees eligible to participate in the plan. During the years ended August 31, 2020 and 2019, pension expense for employer contributions amounted to \$198,634 and \$196,947, respectively.

Notes to Financial Statements

K. NOTES PAYABLE

The Paycheck Protection Program loan obtained by the Association may be forgivable if certain criteria related to expenditures for payroll and related costs, mortgage interest, lease and utility costs are met. In addition, criteria related to employee retention affects the amount eligible for forgiveness. The application for forgiveness has not been submitted so the amounts below represent the entire amount of the loan.

Notes payable at August 31, 2020 of \$630,000 consists of the Paycheck Protection Program loan payable to ANB Bank due in monthly installments to be determined. The stated interest rate is 1%. Payments are deferred until ten months after the covered period ends, and, with lender approval, the loan has an estimated repayment term of five years.

Estimated future minimum payments for the years ending August 31 are as follows:

2021	\$ 82,539
2022	150,812
2023	152,327
2024	153,858
2025	90,464

L. CONTINGENCIES AND UNCERTAINTIES

During the year ended August 31, 2020, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 (coronavirus) outbreak has had a notable impact on general economic conditions, including but not limited to the decline 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 the COVID-19 (coronavirus) outbreak will affect the operations, collections or financial results of the Association is uncertain.

Occasionally, in the normal course of business, the Association 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 Association are either without merit or will not exceed insurance limits. A reserve for insurance deductibles for potential claims has been recorded.