

**UNITED STATES OF AMERICA WRESTLING
ASSOCIATION**

d/b/a USA Wrestling

Financial Statements

For the Year Ended August 31, 2023

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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

Opinion

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, 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 United States of America Wrestling Association d/b/a USA Wrestling, as of August 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 United States of America Wrestling Association d/b/a USA Wrestling, 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 United States of America Wrestling Association d/b/a USA Wrestling'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 the 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 United States of America Wrestling Association d/b/a USA Wrestling'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 United States of America Wrestling Association d/b/a USA Wrestling'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 United States of America Wrestling Association d/b/a USA Wrestling's August 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 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
July 24, 2024

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING
Statement of Financial Position
August 31, 2023
(With Comparative Amounts for August 31, 2022)

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,948,249	\$ 6,723,529
Short-term investments	12,983,254	7,240,101
Accounts receivable, net of allowance for credit losses of \$21,385 and \$350	326,476	291,096
Due from the USOPC	383,214	368,304
Inventory	210,774	180,132
Prepaid expenses	<u>554,649</u>	<u>223,458</u>
Total current assets	18,406,616	15,026,620
PROPERTY AND EQUIPMENT:		
Furniture and equipment	642,801	501,014
Building and improvements	679,171	641,591
Wrestling room improvements	222,611	222,611
Land	71,416	71,416
Less accumulated depreciation	<u>(1,095,314)</u>	<u>(998,252)</u>
Property and equipment, net	<u>520,685</u>	<u>438,380</u>
TOTAL ASSETS	<u>\$ 18,927,301</u>	<u>\$ 15,465,000</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,615,588	\$ 2,132,937
Due to the USOPC	87,735	59,152
Deferred revenue	<u>977,173</u>	<u>772,668</u>
Total current liabilities	3,680,496	2,964,757
NET ASSETS:		
Without donor restrictions	6,106,374	3,867,016
Without donor restrictions - board designated	<u>1,967,083</u>	<u>1,915,027</u>
Total without donor restrictions	8,073,457	5,782,043
With donor restrictions	<u>7,173,348</u>	<u>6,718,200</u>
Total net assets	<u>15,246,805</u>	<u>12,500,243</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,927,301</u>	<u>\$ 15,465,000</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, 2023
(With Comparative Totals for the Year Ended August 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>	<u>2022 Totals</u>
SUPPORT AND REVENUE:				
Membership	\$ 9,499,310	\$	\$ 9,499,310	\$ 8,006,328
Events and educational programs	3,954,766		3,954,766	2,951,703
Grants and contributions	249,037	1,553,048	1,802,085	1,868,500
USOPC grants		1,488,724	1,488,724	1,594,838
Tour and program revenue	785,539		785,539	428,654
Corporate sponsorship	659,011		659,011	743,882
Investment income (loss), net	193,245	374,035	567,280	(741,640)
Value-in-kind donations	380,175	37,991	418,166	378,731
Royalties and licensing fees	400,000		400,000	400,273
USOPC digital media	300,000		300,000	300,000
Newspaper and internet income	35,423		35,423	52,097
Other	9,957		9,957	27,684
Gain (loss) on disposal of equipment	5,625		5,625	(1,926)
PPP loan forgiveness grant				644,885
Satisfied program restrictions	<u>2,998,650</u>	<u>(2,998,650)</u>		
Total support and revenue	19,470,738	455,148	19,925,886	16,654,009
EXPENSES:				
Program services:				
National Team	7,739,066		7,739,066	6,541,074
Membership	4,809,536		4,809,536	4,376,866
Events and educational programs	2,921,135		2,921,135	2,324,359
Promotions and sport development	<u>83,467</u>		<u>83,467</u>	<u>385</u>
Total program services	15,553,204		15,553,204	13,242,684
Supporting services:				
Marketing and fundraising	829,957		829,957	884,198
General and administrative	<u>796,163</u>		<u>796,163</u>	<u>670,437</u>
Total supporting services	<u>1,626,120</u>		<u>1,626,120</u>	<u>1,554,635</u>
Total expenses	<u>17,179,324</u>		<u>17,179,324</u>	<u>14,797,319</u>
CHANGE IN NET ASSETS	2,291,414	455,148	2,746,562	1,856,690
NET ASSETS, beginning of year	<u>5,782,043</u>	<u>6,718,200</u>	<u>12,500,243</u>	<u>10,643,553</u>
NET ASSETS, end of year	<u>\$ 8,073,457</u>	<u>\$ 7,173,348</u>	<u>\$ 15,246,805</u>	<u>\$ 12,500,243</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, 2023

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

	Program Services				Total Programs
	National Team	Membership	Events and Educational Programs	Promotions and Sport Development	
	\$	\$ 600,483	\$	\$	\$ 600,483
Accident insurance					
Advertising					
Apparel	39,205		51,291		90,496
Athlete assistance	1,490,758		100,500		1,591,258
Bank charges & fees	2,287	358,517	23,395		384,199
Communications	18,684	12,352	11,283		42,319
COVID tests & supplies	256				256
Credit loss expense, net	500	947	200		1,647
Depreciation	51,046	18,917	11,515		81,478
Dues & subscriptions	686	58,440	274		59,400
Employee search & relocation	24,262	15,944	9,705		49,911
Event expenses	1,898	2,000	10,992	24,748	39,638
Gifts & awards	35,390	9,960	144,191		189,541
Hospitality & protocol	11,854	15,442	34,726		62,022
Insurance	55,363	97,375	4,514		157,252
Internet/bracketing		21,978	70,831		92,809
Legal & accounting fees	50,253	33,023	20,101		103,377
Liability insurance		1,097,980			1,097,980
Licensing			8,500		8,500
Maintenance & repair	5,180	3,185	1,939		10,304
Occupancy	9,291	6,105	3,716		19,112
Office activities	28,116	18,476	11,246		57,838
Other expenses	62,079	15,585	102,786	7,719	188,169
Other professional fees			720		720
Outside services & honoraria	57,533	166,823	387,565		611,921
Postage & shipping	10,117	25,884	19,041		55,042
Printing	1,443	45,815	9,954		57,212
Professional development	1,482	974	593		3,049
Promotions & publicity	2,893	11,083	25,461	14,764	54,201
Salaries, benefits & payroll taxes					
	2,978,444	1,759,962	652,171		5,390,577
Site costs	10,885	3,997	401,332		416,214
Sponsor & employee relations					
State association expense		63,531			63,531
Supplies & equipment	235,228	137,870	5,640		137,870
Trainers		5,306	79,391		246,174
Travel & lodging	2,498,861	201,333	566,150	36,236	3,302,580
Visas & UWW licenses	55,072	249	151,412		206,733
	\$ 7,739,066	\$ 4,809,536	\$ 2,921,135	\$ 83,467	\$ 15,553,204

	Supporting Services					2022 Total
	General & Administrative				2023 Total	
	Marketing and Fundraising	National Office	Board of Directors and Committees	Total Supporting Services		
	\$	\$	\$	\$	\$	\$
Accident insurance	1,917			1,917	600,483	868,664
Advertising					1,917	2,150
Apparel					90,496	69,797
Athlete assistance	4,134	1,045		5,179	1,591,258	1,333,600
Bank charges & fees	6,398	8,845	120	15,363	389,378	324,638
Communications					57,682	60,274
COVID tests & supplies					256	23,802
Credit loss expense, net	172	229		401	2,048	32,930
Depreciation	9,870	13,160		23,030	104,508	80,969
Dues & subscriptions	235	313		548	59,948	51,578
Employee search & relocation	8,318	11,091		19,409	69,320	22,577
Event expenses					39,638	11,627
Gifts & awards	21,230		773	22,003	211,544	158,854
Hospitality & protocol	23,490	92,889	685	117,064	179,086	137,275
Insurance	3,948	4,977	73,933	82,858	240,110	268,717
Internet/bracketing					92,809	71,275
Legal & accounting fees	17,229	22,972		40,201	143,578	69,833
Liability insurance					1,097,980	689,133
Licensing					8,500	
Maintenance & repair	1,662	2,216		3,878	14,182	25,393
Occupancy	3,185	27,259		30,444	49,556	50,393
Office activities	9,639	12,852		22,491	80,329	81,307
Other expenses	1,765	9,461	405	11,631	199,800	164,686
Other professional fees		981		981	1,701	1,179
Outside services & honoraria	32,284	126,821		159,105	771,026	703,161
Postage & shipping	7,762	4,101		11,863	66,905	63,664
Printing	765	602		1,367	58,579	85,043
Professional development	508	1,676		2,184	5,233	7,186
Promotions & publicity	482			482		12,586
Salaries, benefits & payroll taxes	554,378	211,237		765,615	6,156,192	5,672,071
Site costs		500	3,843	4,343	420,557	382,510
Sponsor & employee relations	84,093			84,093	147,624	142,508
State association expense					137,870	112,825
Supplies & equipment	980			980	247,154	236,169
Trainers					79,391	47,656
Travel & lodging	35,513	94,924	65,931	196,368	3,498,948	2,661,238
Visas & UWW licenses		2,322		2,322	209,055	70,051
	\$	\$	\$	\$	\$	\$
	829,957	650,473	145,690	1,626,120	17,179,324	14,797,319

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, 2023

(With Comparative Amounts for August 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,746,562	\$ 1,856,690
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	104,508	80,969
(Gain) loss on disposal of equipment	(5,625)	1,926
Restricted investment (income) loss	(374,035)	579,302
Restricted contributions	(1,553,048)	(1,638,370)
Realized gain on investments	27,025	(273,795)
Unrealized loss (gain) on investments	(386,142)	1,158,025
Decrease (increase) in assets:		
Accounts receivable, net	(35,380)	453,234
Due from the USOPC	(14,910)	213,880
Inventory	(30,642)	(11,960)
Prepaid expenses	(331,191)	22,303
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	482,651	(237,648)
Due to the USOPC	28,583	(911,705)
Deferred revenue	204,505	126,796
Refundable advance	<u> </u>	<u>(90,000)</u>
Total adjustments	<u>(1,883,701)</u>	<u>(527,043)</u>
Net cash provided by operating activities	862,861	1,329,647
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of assets	5,625	
Proceeds from sale of investments	1,896,794	1,180,215
Purchase of investments	(7,280,955)	(1,320,616)
Acquisition of property and equipment	<u>(186,688)</u>	<u>(166,491)</u>
Net cash used by investing activities	(5,565,224)	(306,892)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable, net		(644,885)
Restricted investment income	374,035	(579,302)
Pledges receivable, net		100,000
Restricted contributions	<u>1,553,048</u>	<u>1,638,370</u>
Net cash provided by financing activities	<u>1,927,083</u>	<u>514,183</u>
NET INCREASE (DECREASE) IN CASH	(2,775,280)	1,536,938
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,723,529</u>	<u>5,186,591</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,948,249</u>	<u>\$ 6,723,529</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, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States of America Wrestling Association d/b/a USA Wrestling (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.

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, 2022, 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

During the year ended August 31, 2023, the Association implemented Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU was issued in June 2016 by the Financial Accounting Standards Board (FASB) and revises accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. On September 1, 2022, the Association adopted the new accounting standard and all related amendments.

The adoption of ASU 2016-13 did not impact the accompanying financial statements. The Association does not expect ASU 2016-13 to have a significant impact on its financial condition or results of operations on an ongoing basis.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end and include amounts from contracts with customers, contributions, grants, and other amounts.

Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Management provides for probable uncollectible amounts through an allowance so that the net amount reflects the amount that management expects to collect. In developing that allowance, management determines statistics for the probability of loss. These statistics are based on the Association's historical collection experience, adjusted for management's expectations about current and future economic conditions. An allowance for credit losses of \$21,385 and \$350 was recorded at August 31, 2023 and 2022, respectively.

Net receivables from contracts with customers at the beginning and end of the period were \$188,814 and \$257,840, respectively.

Inventory

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2023 and 2022, was \$104,508 and \$80,969, 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 entity. Deferred revenue from contracts with customers at the beginning and end of the period was \$772,668 and \$977,173, 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.

Contributions include United States Olympic & Paralympic Committee (USOPC) grants and Small Business Administration (SBA) Paycheck Protection Program (PPP) grants.

In-kind Donations

During the year ended August 31, 2022, the Association adopted Accounting Standards Update (ASU) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind Donations - continued

The Association may record various types of in-kind contributions when received. Contributed services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received or utilized.

The Association's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of USA Wrestling. If an asset is provided that does not allow the Association 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.

The Association received the following gifts-in-kind during the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Athletic equipment and apparel	\$ 379,479	\$ 373,731
Lodging grants	37,991	
Other	696	
Facilities		5,000
	<u>\$ 418,166</u>	<u>\$ 378,731</u>

The athletic equipment and apparel are used by all programs. The fair value is based upon information provided by the supplier, if available, or the amount the Association would have paid for the items.

The lodging grants are AirBnB in-kind through their sponsorship of the USOPC. The USOPC charges the grantee 10% of the cost of the AirBnB nights used, meaning that the in-kind amount received is 90% of the fair market value of the AirBnB nights used. The lodging nights are available to all programs and departments and used by many programs.

The other donation represented three cases of specialty alcohol. This donation was utilized by the Fundraising department in their hospitality efforts for current and prospective donors. The value is based on the price of the alcohol.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind Donations - continued

The facilities are used in the General and Administrative program. The fair value is based upon information provided by the facilities.

In addition, 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>2023</u>	<u>2022</u>
Athlete registrations	\$ 5,903,494	\$ 4,975,557
Non-athlete registrations	<u>3,595,816</u>	<u>3,030,771</u>
	<u>\$ 9,499,310</u>	<u>\$ 8,006,328</u>

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.

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.

Corporate sponsorship - The Association recognizes revenue from contracts with both sponsors and suppliers of the Association. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Association will recognize revenue over time.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Corporate sponsorship - *continued* 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.

USOPC digital media - The Association also recognizes revenue from contracts with the USOPC. As previously mentioned, USOPC grants are considered contributions by the Association. 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.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued additional ASUs which amend and clarify *Topic 842*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Association adopted FASB *Topic 842, Leases*, using the modified retrospective approach and utilized all available practical expedients with September 1, 2022, as the date of initial adoption. At the date of initial adoption, the Association had one operating lease with an immaterial amount of right-of-use assets and lease liabilities. The Association also had a short-term lease.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases - continued

Under 2016-02, the Association has made an accounting policy election to apply the short-term lease recognition exemption for all applicable classes of underlying assets. 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 Association has selected to expense the cost of the short-term leases on the straight-line basis in the accompanying Statement of Activities.

The Association assesses whether an arrangement qualifies as a lease at inception and only reassess its determination if the terms and conditions of the arrangement are changed. As the Association's leases do not provide an implicit rate, the Association 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 lease term in determining the present value of lease payments in determination of the respective right-of-use (ROU) assets and liabilities.

The Association leases a mailing system under an operating lease that began in December 2016 and was renewed February 2022. The lease term is 60 months, ending February 2027, and requires monthly payments of \$886. Variable payments for maintenance contracts are also required. The right-of-use asset and lease liabilities are immaterial.

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 is not a private foundation.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - continued

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.

Supplemental Cash Flow Information

During the years ended August 31, 2023 and 2022, 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 July 24, 2024, the date that the financial statements were available to be issued.

Notes to Financial Statements

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.

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,948,249	\$ 6,723,529
Short-term investments	12,983,254	7,240,101
Accounts receivable	326,476	291,096
Due from the USOPC	<u>383,214</u>	<u>368,304</u>
	17,641,193	14,623,030
Less assets with donor restrictions or other designations:		
Donor program restricted, net of long-term pledges receivable	7,173,348	6,718,200
Board designated	<u>1,967,083</u>	<u>1,915,027</u>
Financial assets available within one year	<u>\$ 8,500,762</u>	<u>\$ 5,989,803</u>

Notes to Financial Statements

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.

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 August 31:

<u>Assets at Fair Value as of August 31, 2023</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 47,398	\$	\$	\$ 47,398
Equity securities:				
Mutual funds	1,353,714			1,353,714
Equities	889,373			889,373
Common stock	656,800			656,800
Debt securities:				
US Treasury and Federal agencies		5,463,886		5,463,886
Asset backed securities		157,999		157,999
Corporate bonds		124,802		124,802
USOPE pooled funds		4,289,282		4,289,282
	<u>\$ 2,947,285</u>	<u>\$ 10,035,969</u>	<u>\$</u>	<u>\$ 12,983,254</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

<u>Assets at Fair Value as of August 31, 2022</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 42,118	\$	\$	\$ 42,118
Equity securities:				
Mutual funds	1,313,093			1,313,093
Equities	747,479			747,479
Common stock	574,507			574,507
Debt securities:				
US Treasury and Federal agencies		204,440		204,440
Asset backed securities		156,193		156,193
Corporate bonds		134,687		134,687
USOPE pooled funds		4,067,584		4,067,584
	<u>\$ 2,677,197</u>	<u>\$ 4,562,904</u>	<u>\$</u>	<u>\$ 7,240,101</u>

The United States Olympic & Paralympic Endowment (USOPE) investment consists of units in a pooled portfolio managed by the USOPE. At August 31, 2023, the USOPE portfolio consisted of the following types of securities:

Alternative investments	39.60 %
Domestic equities	34.70
International equities	17.50
Domestic bonds	6.80
Cash and equivalents	1.40
	<u>100.00 %</u>

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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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 (loss) consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
Realized gains (losses)	\$ (27,025)	\$ 273,795
Unrealized gains (losses)	386,142	(1,158,025)
Interest and dividends	234,703	170,669
Investment expenses	<u>(26,540)</u>	<u>(28,079)</u>
	<u>\$ 567,280</u>	<u>\$ (741,640)</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. The Association did not have any pledges receivable at August 31, 2023 and 2022.

E. DEFERRED REVENUE

Deferred revenue consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
Membership	\$ 481,798	\$ 331,182
Sponsorship	290,750	218,024
Olympic trials	100,000	100,000
National team	78,455	23,462
World Championships	22,400	
Other	3,770	
USOPC digital media	<u> </u>	<u>100,000</u>
	<u>\$ 977,173</u>	<u>\$ 772,668</u>

Notes to Financial Statements

F. RETIREMENT BENEFIT PLAN

The Association has a tax-sheltered annuity retirement benefit plan that covers substantially all 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, 2023 and 2022, retirement benefit expense for employer contributions amounted to \$216,719 and \$221,362, respectively.

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:

	<u>2023</u>	<u>2022</u>
Operating reserve	\$ <u>1,967,083</u>	\$ <u>1,915,027</u>

H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

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

	<u>2023</u>	<u>2022</u>
Capital campaign	\$ 6,149,409	\$ 5,776,185
USOPC grants	499,417	458,539
Women's freestyle programs	169,665	152,450
Athlete appearance donations	75,446	109,059
Greco Roman programs	68,652	5,000
Living the Dream program	51,543	68,343
Multiple medal incentive program	47,576	47,376
Greg Strobel Leadership Academy	42,462	32,972
Men's freestyle programs	32,000	34,550
Wrestling for Peace	29,156	28,726
r	5,000	5,000
World Championships	3,022	
	<u>\$ 7,173,348</u>	<u>\$ 6,718,200</u>

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

Notes to Financial Statements

H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE - Continued

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

	<u>2023</u>	<u>2022</u>
USOPC grants	\$ 1,485,836	\$ 1,531,000
Women's freestyle programs	547,180	462,534
Men's freestyle programs	469,383	544,065
Living the Dream program	270,083	305,000
Greco Roman programs	135,815	270,758
Athlete appearance donations	83,613	61,053
Greg Strobel Leadership Academy	4,060	5,923
Kiki-Wresting for Peace	2,680	1,000
Lehman women's freestyle programs		165,944
Final X support		100,000
	<u>\$ 2,998,650</u>	<u>\$ 3,447,277</u>

I. RELATED PARTY TRANSACTIONS

The USOPC provided grants to the Association under the following categories during the years ended August 31:

	<u>2023</u>	<u>2022</u>
NGB Funding	\$ 1,435,738	\$ 1,456,738
Special grants	52,986	133,100
Value in-kind	<u>37,991</u>	<u>5,000</u>
	<u>\$ 1,526,715</u>	<u>\$ 1,594,838</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, 2023 and 2022. The Association signed an amended agreement with the USOPC that extends the term of the agreement through December 31, 2023.

The USOPC 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 camps. No amount has been reflected in these financial statements for this support.

Notes to Financial Statements

I. RELATED PARTY TRANSACTIONS - Continued

The USOPC also reimburses the Association for expenses as agreed upon.

At August 31, 2023 and 2022, the Association owed the USOPC \$87,735 and \$59,152, respectively, for Olympic and Paralympic Training Center expenses, Operation Gold Participation and Medal Bonuses, as well as other event related expenses.

The USOPC paid stipends directly to athletes in the years ended August 31, 2023 and 2022.

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

J. PAYCHECK PROTECTION PROGRAM

In April 2020, the Association received a \$630,000 loan from ANB Bank through the first round of the Small Business Administration's Paycheck Protection Program (PPP). A portion or all of the loan may be forgiven by the Small Business Administration if certain payroll criteria are met and funds are used for payroll, rent, mortgage interest, or utilities. In addition, criteria related to employee retention affects the amount eligible for forgiveness.

In January 2021, the Association received a \$644,885 PPP loan under the second round of the program. The same conditions as the first round apply to qualify for loan forgiveness. During the year ended August 31, 2022, the Association met the required criteria for forgiveness and recognized the total loan as grant revenue without donor restrictions in the accompanying statement of activities.

K. CONTINGENCIES AND UNCERTAINTIES

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.