



USA DIVING, INC.

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

For the Year Ended December 31, 2020



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USA DIVING, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
USA Diving, Inc.

We have audited the accompanying financial statements of USA Diving, Inc., (an Ohio not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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 controls 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 USA Diving, Inc., as of December 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.

Emphasis of Matter - Accounting Pronouncement

As discussed in Note 1 to the financial statements, USA Diving adopted new accounting guidance as issued by the Financial Accounting Standards Board under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU No. 2020-05. The adoption of this ASU did not result in a change to the accounting for any of USA Diving's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

Sikich LLP

Indianapolis, Indiana
April 14, 2023

FINANCIAL STATEMENTS

USA DIVING, INC

STATEMENT OF FINANCIAL POSITION

As of December 31, 2020

ASSETS

ASSETS

Cash and cash equivalents	\$ 767,259
Refund receivable	4,076
Due from USA Diving Foundation	10,007
Prepaid expenses	28,246
Investments	516,199
TOTAL ASSETS	\$ 1,325,787

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 43,544
Due to USOPC	190,677
Accrued liabilities	12,300
Deferred revenue	549,871
Deferred US Diving Foundation grant revenue	18,219
Notes payable	200,000
Total Liabilities	1,014,611

NET ASSETS

Net assets without donor restrictions	63,179
Net assets with donor restrictions	247,997
Total net assets	311,176
TOTAL LIABILITIES AND NET ASSETS	\$ 1,325,787

See accompanying notes to financial statements.

USA DIVING, INC

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 604,775	\$ 18,520	\$ 623,295
USOPC grants	716,925	40,176	757,101
US Diving Foundation grants	242,213	-	242,213
Raymond C. Rude Supporting Foundation, Inc. grants	400,000	-	400,000
Government grants	166,000	-	166,000
Membership dues	380,713	-	380,713
Contributed nonfinancial assets	80,958	-	80,958
Media revenue	80,000	-	80,000
Travel incentives	21,643	-	21,643
Sponsorships	11,000	5,000	16,000
Investment return, net	9,278	-	9,278
Interest and dividends	1,088	-	1,088
Miscellaneous revenue	4,548	-	4,548
Loss on disposal of fixed assets	(9,184)	-	(9,184)
Net assets released from restrictions	15,014	(15,014)	-
Total Revenues and Support	2,724,971	48,682	2,773,653
EXPENSES			
Program services:			
Member services	730,747	-	730,747
Competitive programs	1,167,916	-	1,167,916
Supporting services:			
General and administrative	396,962	-	396,962
Fundraising	62,438	-	62,438
Total Expenses	2,358,063	-	2,358,063
CHANGE IN NET ASSETS	366,908	48,682	415,590
NET ASSETS, BEGINNING OF YEAR	(303,729)	199,315	(104,414)
NET ASSETS, END OF YEAR	\$ 63,179	\$ 247,997	\$ 311,176

See accompanying notes to financial statements.

USA DIVING, INC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Member	Competitive	Management and	Fundraising	Total
	Services	Programs	General		
Salaries	\$ 134,625	\$ 345,392	\$ 93,109	\$ 22,506	\$ 595,632
Employee benefits	31,466	64,823	28,739	5,862	130,890
Awards and recognitions	723	198	122	99	1,142
Conferences and meetings	-	-	1,272	-	1,272
Education	7,535	49	8,383	2,268	18,235
Events and venue	22,659	8,067	-	3,836	34,562
Financial service fees	-	-	21,171	-	21,171
Insurance	461,221	197,666	-	-	658,887
Marketing and advertising	-	5,440	8,479	13,736	27,655
Office expense	-	17,188	66,690	-	83,878
Other	2,305	807	1,046	3,166	7,324
Performance support	805	354,030	-	-	354,835
Professional services	59,205	14,988	166,155	10,385	250,733
Travel	10,203	159,268	1,796	580	171,847
TOTAL EXPENSES	\$ 730,747	\$ 1,167,916	\$ 396,962	\$ 62,438	\$ 2,358,063

See accompanying notes to financial statements.

USA DIVING, INC

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 415,590
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	8,324
Donated investments	(500,000)
Investment return, net	(9,278)
Loss on disposal of fixed assets	9,184
(Increase) decrease in:	
Contributions receivable	6,853
Refunds receivable	(4,076)
Due from related parties	14,993
Prepaid expenses	19,908
Increase (decrease) in:	
Accounts payable	(282,413)
Due to USOPC	82,288
Accrued liabilities	(2,968)
Deferred revenue	99,336
Net cash from operating activities	<u>(142,259)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from notes payable	<u>200,000</u>
Net cash from financing activities	<u>200,000</u>

INCREASE IN CASH AND CASH EQUIVALENTS 57,741

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 709,518

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 767,259

See accompanying notes to financial statements.

USA DIVING INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. NATURE OF ORGANIZATION

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

Impact of COVID-19 Uncertainty

Due to the impact of COVID-19, USA Diving postponed a significant number of competitions starting in March 2020 through December 2020, including the 2020 Summer Olympics. In response, USA Diving has taken steps to significantly reduce its overhead by becoming a remote organization, and selling or disposing of all fixed assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Without Donor Restrictions

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

Board-Designated - Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use. USA Diving received a contribution of investment securities during 2020 from a related party. At the time of contribution, the securities were classified as board-designated without donor restriction in the amount of \$500,000. As of December 31, 2020, net assets without donor restriction amounted to \$63,179 which is the amount considered to be board designated. The amount is designated as a special reserve emergency fund in accordance with the gift requirements for a period of four years ending December 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

With Donor Restrictions

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

Cash and Cash Equivalents

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

USA Diving maintains its bank accounts at one financial institution, which at times may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of December 31, 2020, USA Diving had a balance in excess of the insured limit of approximately \$531,000. USA Diving has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Refunds Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Management considers the collectability of each account individually. As of December 31, 2020, management has determined that no allowance for doubtful accounts is required.

Investments and Income Recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Income Recognition (Continued)

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

Property and Equipment

All property and equipment was disposed of during 2020 as USA Diving moved to a remote platform. Depreciation expense was \$8,324 for the year ended December 31, 2020. The related loss on disposal of fixed assets was \$9,184 at December 31, 2020.

Revenue Recognition

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

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional contributions as of December 31, 2020.

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

Unconditional grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. All grants are considered contributions for the fiscal year ended December 31, 2020 and therefore follow contribution guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, Not for Profit Entities (Topic 958). Conditional grants that have been funded by the donor are considered deferred revenue and are reported on the statement of financial position. When the conditions specified by the grant agreements have been met, the grant revenue will be recognized. As of December 31, 2020, deferred grant revenue is \$18,219, which is conditioned upon the Tokyo Olympics taking place.

Travel incentives and sponsorships are monetary gifts considered contribution revenue as there is no performance obligation related to the receipt of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets

Contributions of nonfinancial assets are recorded at fair value in the period received. Donated noncash assets for the year ended December 31, 2020, totaled \$80,958, and are recorded to the related asset or expense account, as appropriate and contributed nonfinancial assets revenue.

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

Revenue from Contracts with Customers

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

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

Significant Judgments

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

Membership Dues

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Customers (Continued)

Media Revenue

USA Diving participates in an annual digital media contract with a related party. The related party hosts the official USA Diving website and other digital platforms and is permitted unlimited monetization of these platforms. USA Diving receives an agreed upon fee, generally based upon levels of unique site traffic. The traffic is measured by the related party and the payment to USA Diving is paid bi-annually during the course of the contract year. During 2020, due to the impact of Covid-19, the contract was amended to pay USA Diving a flat fee without reference to specific count of site traffic. No other contract terms were amended. Based on the amended contract, the performance obligation is met over time and revenue is recognized over the life of the contract as the platform host simultaneously receives benefit. The amended contract is not subject to refunds or warranties.

Olympic Trials Management Contracts

USA Diving participates in a contract that allows them the opportunity to manage the Olympic Diving Trials. An additional agreement between USA Diving and a subcontractor exists to outsource the obligations of the original contract. The fees and related performance obligations are defined per the contracts. The performance obligations are delivered concurrently and have the same measure of progress and are accounted for as a single performance obligation. Payments under the contracts are due to USA Diving in advance of the event and considered deferred revenue as of December 31, 2020. The revenue will be recognized over the time of the event. Refunds are not available. The contracts contain caps on revenue collected and expenses paid and there will be a final reconciliation of the contracts after the event takes place.

Contract Assets and Liabilities

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

Income Taxes

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

Use of Estimates

The presentation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates and assumptions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketing and Advertising Cost

USA Diving uses marketing and advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the year ended December 31, 2020 were \$27,655.

Functional Allocation of Expenses

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

New Accounting Pronouncements – Implemented

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended by ASU 2020-05, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, was adopted as of July 1, 2020, utilizing the modified retrospective method of transition. The new guidance was applied using the practical expedient provided that allows guidance to be applied only to contracts that have not been completed as of July 1, 2020. The adoption of this new accounting pronouncement did not have a material impact on the financial statements.

New Accounting Pronouncements

In September 2020, FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. A not-for-profit will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs; and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. USA Diving is currently assessing the impact of this new standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

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

On January 26, 2021, USA Diving was granted a PPP loan from the SBA for the amount of \$120,120. Forgiveness for this and the previously awarded PPP loan noted at footnote 6 has been received as of the date the financial statements were available to be issued. Additionally, on March 15, 2022, the SBA further extended the payment deferral date of the EIDL to November, 2022. See footnote 5.

USA Diving has evaluated subsequent events through April 14, 2023, which was the date that these financial statements were available for issuance.

3. LIQUIDITY AND AVAILABILITY

USA Diving receives contributions and grants with donor restrictions to be used in accordance with the associated purpose or time restriction. USA Diving received approximately 94% of its funding needs from revenue generated through donor contributions and grants as of December 31, 2020.

As of December 31, 2020, financial assets available within one year for general expenditure, that is without donor or other restrictions limiting use, are comprised of the following:

FINANCIAL ASSETS	2020
Cash and cash equivalents	\$ 767,259
Refund receivable	4,076
Due from USA Diving Foundation	10,007
Investments	516,199
Time restricted net assets for general purposes	5,000
Total financial assets	<u>1,302,541</u>
Less: Those unavailable for general expenditures:	
Funds restricted by donor	(247,997)
Collateral on EIDL loan	(200,000)
Board designations	<u>(63,179)</u>
TOTAL FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 791,365</u>

3. LIQUIDITY AND AVAILABILITY (Continued)

USA Diving has board designated reserves of \$63,179 as of December 31, 2020. This amount is considered a liquid resource as the board has the ability to remove the designation and permit its use for general operating expenditures.

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

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

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

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

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

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

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

USA DIVING INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There has been no change to the techniques used during the year ended December 31, 2020.

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

Pooled investments: Valued at NAV, as reported by the fund managers. These funds do not trade in active markets. However, generally the unit price is based on quoted market prices of the underlying assets owned, divided by the number of outstanding units.

Recurring Measurements

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 496,745	\$ -	\$ -	\$ 496,745
Pooled investments	-	8,775	-	8,775
TOTAL ASSETS AT FAIR VALUE	\$ 496,745	\$ 8,775	\$ -	505,520
Cash and cash equivalents*				10,679
				\$ 516,199

5. NOTE PAYABLE

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

USA DIVING INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

5. NOTE PAYABLE (Continued)

At December 31, 2020, principal payments due on the note payable were as follows:

2021	\$ 2,720
2022	4,765
2023	4,898
2024	5,034
2025	5,174
Thereafter	177,409
	<u>\$ 200,000</u>

As of March 15, 2022, The SBA further extended the payment deferral to November, 2022. All other terms of the loan remain the same.

6. GOVERNMENT GRANTS

Paycheck Protection Program

The Paycheck Protection Program is a low-interest SBA loan and generally covers two and a half months of payroll costs and may be forgiven entirely if the borrower meets conditions of maintaining certain staffing levels and spending a certain amount of funds on salaries and other qualifying expenditures during the qualified period. In April 2020, USA Diving was approved for a loan under this program, in the amount of \$157,000, with an interest rate of 1% maturing in April 2022. As of December 31, 2020, management believes that loan forgiveness requirements have been met. As such, the amount was recognized in income, and included in government grants on the statement of activities as of December 31, 2020.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available to support the following purposes as of December 31, 2020:

	<u>2020</u>
Dive-In campaign	\$ 116,654
High performance/Synchro	25,884
Masters cultural scholarship	10,000
Masters events	42,959
Relocation expenses	10,000
Technology	5,000
Biomechanical Upgrades - VAMA	32,500
Time restricted for general purposes	5,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u><u>\$ 247,997</u></u>

USA DIVING INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

8. RELATED PARTY ACTIVITY

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

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

Raymond C. Rude Supporting Foundation, Inc. is a related party donor to USA Diving and the Foundation.

A summary of activity between USA Diving and its various related parties for the year ended December 31, 2020 is as follows:

Related Party Activity For the Year Ended December 31, 2020:	USOPC	US Diving Foundation	Raymond C. Rude Supporting Foundation
Assets:			
Accounts receivable	\$ -	\$ 10,007	\$ -
Total related party assets	-	10,007	-
Liabilities:			
Accounts payable	190,677	-	-
Deferred grant revenue	-	18,219	-
Deferred revenue	225,000	-	-
Total related party liabilities	415,677	18,219	-
Revenue and Support:			
Grants	757,101	242,213	400,000
Contributions	36,415	500,000	-
Contributed nonfinancial assets	3,281	-	-
Media revenue	80,000	-	-
Total related party revenue	876,797	742,213	400,000
Percentage of all revenues and support earned by USA Diving	32%	27%	14%

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

USA Diving recognizes revenue from contracts with customers through three primary revenue streams: membership, media and event contracts. USA Diving's disaggregated revenue based on timing of revenue recognition for the year ended December 31, 2020 is as follows:

	<u>2020</u>
Revenue recognized at a point in time	\$ 28,766
Revenue recognized over time	<u>431,947</u>
TOTAL	<u><u>\$ 460,713</u></u>

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

The opening balance for contract assets (accounts receivable) from contracts with customers was \$0 on January 1, 2020.

The opening balances for contract liabilities (deferred revenue) from contracts with customers on January 1, 2020 are as follows:

	<u>1/1/2020</u>
Contract Liabilities:	
Deferred membership dues	\$ 97,392
Deferred media revenue	-
Deferred olympic trials management contracts	<u>225,000</u>
TOTAL CONTRACT LIABILITIES	<u><u>\$ 322,392</u></u>

10. CONCENTRATION OF INCOME SOURCES

During 2020, USA Diving received approximately 73% of its total revenue from three related parties. This included a one-time gift of stock valued at \$500,000. A decrease in funding from these sources could have a significant impact on USA Diving. See footnote 8 for additional information.

11. EMPLOYEE BENEFIT PLAN

USA Diving sponsors a 401(k) plan (Plan) for its eligible employees. The Plan requires USA Diving to make certain minimum contributions to eligible employees on an annual basis. USA Diving may make additional discretionary contributions and employee contributions are permitted. All contributions are immediately 100% vested. For the year ended December 31, 2020, USA Diving contributed \$16,918 to the Plan.

12. CONTINGENCY

In the course of normal operations, USA Diving is subject to various claims and assessments and is involved in various litigation that management intends to vigorously defend. USA Diving was involved in various litigation which was settled during 2020, and USA Diving was not required to disburse any amounts as all settlements were covered by insurance maintained by USA Diving.