

**UNITED STATES OF AMERICA WRESTLING
ASSOCIATION**

d/b/a USA Wrestling

Financial Statements

For the Year Ended August 31, 2022

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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, 2022, 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, 2022, 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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
January 13, 2023

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING
Statement of Financial Position
August 31, 2022
(With Comparative Amounts for August 31, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,723,529	\$ 5,186,591
Short-term investments	7,240,101	7,983,930
Accounts receivable, net	291,096	744,330
Due from the USOPC	368,304	582,184
Current portion of pledges receivable		100,000
Inventory	180,132	168,172
Prepaid expenses	<u>223,458</u>	<u>245,761</u>
Total current assets	15,026,620	15,010,968
PROPERTY AND EQUIPMENT:		
Furniture and equipment	501,014	445,044
Building and improvements	641,591	550,859
Wrestling room improvements	222,611	222,611
Land	71,416	71,416
Less accumulated depreciation	<u>(998,252)</u>	<u>(935,146)</u>
Property and equipment, net	<u>438,380</u>	<u>354,784</u>
TOTAL ASSETS	<u>\$ 15,465,000</u>	<u>\$ 15,365,752</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,132,937	\$ 2,370,585
Due to the USOPC	59,152	970,857
Deferred revenue	772,668	645,872
Refundable advance		90,000
Current portion of notes payable		<u>79,915</u>
Total current liabilities	2,964,757	4,157,229
LONG-TERM LIABILITIES:		
Notes payable		<u>564,970</u>
TOTAL LIABILITIES	2,964,757	4,722,199
NET ASSETS:		
Without donor restrictions	3,867,016	1,147,184
Without donor restrictions - board designated	1,915,027	1,989,798
With donor restrictions	<u>6,718,200</u>	<u>7,506,571</u>
Total net assets	<u>12,500,243</u>	<u>10,643,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,465,000</u>	<u>\$ 15,365,752</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, 2022

(With Comparative Totals for the Year Ended August 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
SUPPORT AND REVENUE:				
Membership	\$ 8,006,328	\$	\$ 8,006,328	\$ 4,140,106
Events and educational programs	2,951,703		2,951,703	2,602,708
Grants and contributions	230,130	1,638,370	1,868,500	1,911,032
USOPC grants		1,594,838	1,594,838	1,485,413
Corporate sponsorship	743,882		743,882	664,869
PPP loan forgiveness grant	644,885		644,885	630,000
Tour and program revenue	428,654		428,654	275,486
Royalties and licensing fees	400,273		400,273	400,177
Value-in-kind donations	373,731	5,000	378,731	228,313
USOPC digital media	300,000		300,000	300,000
Newspaper and internet income	52,097		52,097	44,418
Other	27,684		27,684	59,486
U.S. Olympic Team Trials management fee				200,000
Loss on disposal of equipment	(1,926)		(1,926)	
Investment income (loss), net	(162,338)	(579,302)	(741,640)	1,659,146
Satisfied program restrictions	<u>3,447,277</u>	<u>(3,447,277)</u>		
Total support and revenue	17,442,380	(788,371)	16,654,009	14,601,154
EXPENSES:				
Program services:				
National Team	6,541,074		6,541,074	6,441,948
Membership	4,376,866		4,376,866	4,107,648
Events and educational programs	2,324,359		2,324,359	1,827,982
Promotions and sport development	<u>385</u>		<u>385</u>	<u>145,824</u>
Total program services	13,242,684		13,242,684	12,523,402
Supporting services:				
Marketing and fundraising	884,198		884,198	690,260
General and administrative	<u>670,437</u>		<u>670,437</u>	<u>394,830</u>
Total supporting services	<u>1,554,635</u>		<u>1,554,635</u>	<u>1,085,090</u>
Total expenses	<u>14,797,319</u>		<u>14,797,319</u>	<u>13,608,492</u>
CHANGE IN NET ASSETS	2,645,061	(788,371)	1,856,690	992,662
NET ASSETS, beginning of year	<u>3,136,982</u>	<u>7,506,571</u>	<u>10,643,553</u>	<u>9,650,891</u>
NET ASSETS, end of year	<u>\$ 5,782,043</u>	<u>\$ 6,718,200</u>	<u>\$ 12,500,243</u>	<u>\$ 10,643,553</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, 2022

(With Comparative Totals for the Year Ended August 31, 2021)

	Program Services				Total Programs
	National	Membership	Events and Educational	Promotions and Sport	
	Team		Programs	Development	
Accident insurance	\$	\$ 868,664	\$	\$	\$ 868,664
Advertising					
Apparel	30,214		39,583		69,797
Athlete assistance	1,253,000		80,600		1,333,600
Bad debt expense, net	251	205	99		555
Bank charges & fees	2,749	296,830	16,161		315,740
Communications	18,548	15,184	11,008		44,740
COVID tests & supplies	22,960	238	15		23,213
Depreciation	41,635	15,851	7,632		65,118
Dues & subscriptions	736	49,949	290		50,975
Employee search & relocation	16,264	2,544	1,225		20,033
Event expenses	1,380	16	10,231		11,627
Gifts & awards	4,015	247	135,777		140,039
Hospitality & protocol	8,318	9,080	21,226		38,624
Insurance	60,296	110,184	5,401		175,881
Internet/bracketing		14,051	57,224		71,275
Legal & accounting fees	44,313	10,669	4,827		59,809
Liability insurance		689,133			689,133
Maintenance & repair	8,427	6,837	3,292		18,556
Medical expenses	2,719				2,719
Occupancy	9,178	7,509	3,616		20,303
Office activities	26,831	21,953	10,570		59,354
Other expenses	28,818	1,807	120,921		151,546
Other professional fees					
Outside services & honoraria	79,898	175,357	336,401		591,656
Postage & shipping	13,324	20,256	16,635		50,215
Printing	1,447	37,645	43,455	385	82,932
Production costs					
Professional development	2,274	2,158	895		5,327
Promotions & publicity	2,738	2,244	7,106		12,088
Salaries, benefits & payroll taxes	2,642,684	1,704,394	539,310		4,886,388
Site costs	9,146	4,540	361,008		374,694
Sponsor & employee relations		32,860			32,860
State association expense		112,825			112,825
Supplies & equipment	222,362	1,739	3,347		227,448
Trainers	3,047		44,609		47,656
Travel & lodging	1,927,453	161,707	430,415		2,519,575
Visas & UWW licenses	56,049	190	11,480		67,719
	<u>\$ 6,541,074</u>	<u>\$ 4,376,866</u>	<u>\$ 2,324,359</u>	<u>\$ 385</u>	<u>\$ 13,242,684</u>

	Supporting Services					
	General & Administrative			Total Supporting Services	2022 Total	2021 Total
	Marketing and Fundraising	National Office	Board of Directors and Committees			
Accident insurance	\$		\$	\$	\$ 868,664	\$ 783,809
Advertising	2,150			2,150	2,150	2,150
Apparel					69,797	61,876
Athlete assistance					1,333,600	1,226,000
Bad debt expense, net	32,261	114		32,375	32,930	(6,086)
Bank charges & fees	7,649	1,249		8,898	324,638	169,498
Communications	6,739	8,625	170	15,534	60,274	60,403
COVID tests & supplies	40	236	313	589	23,802	108,316
Depreciation	7,045	8,806		15,851	80,969	81,985
Dues & subscriptions	268	335		603	51,578	33,069
Employee search & relocation	1,131	1,413		2,544	22,577	
Event expenses					11,627	63,614
Gifts & awards	16,846		1,969	18,815	158,854	123,120
Hospitality & protocol	25,218	70,322	3,111	98,651	137,275	61,855
Insurance	5,466	6,020	81,350	92,836	268,717	354,889
Internet/bracketing					71,275	89,837
Legal & accounting fees	4,455	5,569		10,024	69,833	54,942
Liability insurance					689,133	907,594
Maintenance & repair	3,039	3,798		6,837	25,393	36,374
Medical expenses					2,719	4,497
Occupancy	3,337	26,753		30,090	50,393	37,615
Office activities	9,757	12,196		21,953	81,307	47,326
Other expenses	949	8,488	984	10,421	161,967	108,793
Other professional fees		1,179		1,179	1,179	2,325
Outside services & honoraria	5,724	102,531	3,250	111,505	703,161	569,088
Postage & shipping	9,569	3,880		13,449	63,664	65,218
Printing	1,326	646	139	2,111	85,043	34,002
Production costs						27,603
Professional development	826	1,033		1,859	7,186	
Promotions & publicity	498			498	12,586	15,564
Salaries, benefits & payroll taxes	594,181	191,502		785,683	5,672,071	5,302,646
Site costs			7,816	7,816	382,510	362,505
Sponsor & employee relations	109,648			109,648	142,508	62,323
State association expense					112,825	128,792
Supplies & equipment	8,721			8,721	236,169	180,816
Trainers					47,656	51,256
Travel & lodging	27,355	41,555	72,753	141,663	2,661,238	2,325,442
Visas & UWW licenses		2,332		2,332	70,051	69,436
	<u>\$ 884,198</u>	<u>\$ 498,582</u>	<u>\$ 171,855</u>	<u>\$ 1,554,635</u>	<u>\$ 14,797,319</u>	<u>\$ 13,608,492</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, 2022

(With Comparative Amounts for August 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,856,690	\$ 992,662
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	80,969	81,985
Loss on disposal of equipment	1,926	
Restricted investment income	579,302	(1,119,000)
Restricted contributions	(1,638,370)	(1,892,030)
Realized gain on investments	(273,795)	(876,222)
Unrealized loss (gain) on investments	1,158,025	(690,915)
Decrease (increase) in assets:		
Accounts receivable, net	453,234	(671,018)
Due from the USOPC	213,880	(183,771)
Inventory	(11,960)	88,009
Prepaid expenses	22,303	500,122
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(237,648)	1,180,347
Due to the USOPC	(911,705)	956,631
Deferred revenue	126,796	(130,384)
Refundable advance	(90,000)	90,000
Total adjustments	<u>(527,043)</u>	<u>(2,666,246)</u>
Net cash used by operating activities	1,329,647	(1,673,584)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,180,215	2,636,196
Purchase of investments	(1,320,616)	(2,726,771)
Acquisition of property and equipment	<u>(166,491)</u>	<u>(7,068)</u>
Net cash used by investing activities	(306,892)	(97,643)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable, net	(644,885)	14,885
Restricted investment income	(579,302)	1,119,000
Pledges receivable, net	100,000	658,039
Restricted contributions	<u>1,638,370</u>	<u>1,892,030</u>
Net cash provided by financing activities	<u>514,183</u>	<u>3,683,954</u>
NET INCREASE IN CASH	1,536,938	1,912,727
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,186,591</u>	<u>3,273,864</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,723,529</u>	<u>\$ 5,186,591</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, 2022

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, 2021, 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

Accounts receivable recorded by the Association include amounts from contracts with customers, contributions, grants, and other amounts.

Net receivables from contracts with customers at the beginning and end of the period were \$423,858 and \$188,814, 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 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 \$350 and \$1,265 was recorded at August 31, 2022 and 2021, respectively.

Inventory

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

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, 2022 and 2021 was \$80,969 and \$81,985, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 \$645,872 and \$772,668, 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*.

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.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind Donations - continued

The Association received the following gifts-in-kind during the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Athletic equipment and apparel	\$ 373,731	\$ 179,083
Facilities	5,000	
Airline tickets	<u> </u>	<u>49,230</u>
	<u>\$ 378,731</u>	<u>\$ 228,313</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 facilities are used in the General and Administrative program. The fair value is based upon information provided by the facilities.

The airline tickets were used in all programs. The value is the ticket price that is covered by the airline vouchers.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Membership revenue - continued

Membership revenue consists of the following:

	<u>2022</u>	<u>2021</u>
Athlete registrations	\$ 4,975,557	\$ 2,526,102
Non-athlete registrations	<u>3,030,771</u>	<u>1,614,004</u>
	<u>\$ 8,006,328</u>	<u>\$ 4,140,106</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. 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 K for more information regarding those revenue streams.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

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.

Supplemental Cash Flow Information

During the years ended August 31, 2022 and 2021, the Association paid no interest or income taxes.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 January 13, 2023, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,723,529	\$ 5,186,591
Short-term investments	7,240,101	7,983,930
Accounts receivable	291,096	744,330
Due from the USOPC	368,304	582,184
Current portion of pledges receivable	<u> </u>	<u>100,000</u>
	14,623,030	14,597,035
Less assets with donor restrictions or other designations:		
Donor program restricted, net of long-term pledges receivable	6,718,200	7,506,571
Board designated	<u>1,915,027</u>	<u>1,989,798</u>
Financial assets available within one year	<u>\$ 5,989,803</u>	<u>\$ 5,100,666</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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

- 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:

Assets at Fair Value as of August 31, 2022

	<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
USOE 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>

Assets at Fair Value as of August 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 23,625	\$	\$	\$ 23,625
Equity securities:				
Mutual funds	1,505,457			1,505,457
Equities	849,250			849,250
Common stock	663,822			663,822
Debt securities:				
US Treasury and Federal agencies		202,522		202,522
Asset backed securities		173,901		173,901
Corporate bonds		172,696		172,696
USOE pooled funds		4,392,657		4,392,657
	<u>\$ 3,042,154</u>	<u>\$ 4,941,776</u>	<u>\$</u>	<u>\$ 7,983,930</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

The United States Olympic Endowment (USOE) investment consists of units in a pooled portfolio managed by the USOE. At August 31, 2022, the USOE portfolio consisted of the following types of securities:

Alternative investments	44.18 %
Domestic equities	30.29
International equities	15.69
Domestic bonds	7.86
Cash and equivalents	1.98
	100.00 %

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:

	<u>2022</u>	<u>2021</u>
Realized gains	\$ 273,795	\$ 876,222
Unrealized gains	(1,158,025)	690,915
Interest and dividends	170,669	118,820
Investment expenses	(28,079)	(26,811)
	\$ (741,640)	\$ 1,659,146

Notes to Financial Statements

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, 2022 and 2021. As of August 31, 2022 and 2021, the Association had net pledges receivable of \$0 and \$100,000, respectively, representing unconditional promises to give made during the current and prior years.

E. DEFERRED REVENUE

Deferred revenue consists of the following at August 31:

	<u>2022</u>	<u>2021</u>
Membership	\$ 331,182	\$ 211,416
Sponsorship	218,024	234,456
USOPC digital media	100,000	100,000
Olympic trials	100,000	100,000
National team	<u>23,462</u>	<u> </u>
	<u>\$ 772,668</u>	<u>\$ 645,872</u>

F. REFUNDABLE ADVANCE

The Association classifies conditional grants received subject to the completion of donor-imposed conditions as refundable advances. As the Association satisfies the barriers and conditions set forth in the grant contracts, revenue will be recognized accordingly.

Refundable advances as of August 31, 2021 consist of \$90,000 of USOPC special grants.

G. OPERATING LEASES

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.

Notes to Financial Statements

G. OPERATING LEASES - Continued

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

2023	\$	10,630
2024		10,630
2025		10,630
2026		10,630
2027		5,315

H. 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, 2022 and 2021, pension expense for employer contributions amounted to \$221,362 and \$184,161, respectively.

I. 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>2022</u>	<u>2021</u>
Operating reserve	<u>\$ 1,915,027</u>	<u>\$ 1,989,798</u>

Notes to Financial Statements

J. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

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

	<u>2022</u>	<u>2021</u>
Capital campaign	\$ 5,776,185	\$ 6,356,120
USOPC grants	458,539	389,700
Women's freestyle programs	152,450	136,008
Athlete appearance donations	109,059	170,112
Living the Dream program	68,343	46,275
Multiple medal incentive program	47,376	47,358
Men's freestyle programs	34,550	147,379
Greg Strobel Leadership Academy	32,972	23,834
Kiki-Wresting for Peace	28,726	18,841
Legacy endowment	5,000	5,000
Greco Roman programs	5,000	
Lehman women's freestyle programs		<u>165,944</u>
	<u>\$ 6,718,200</u>	<u>\$ 7,506,571</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, net assets were released from restrictions as follows:

	<u>2022</u>	<u>2021</u>
USOPC grants	\$ 1,531,000	\$ 1,978,858
Men's freestyle programs	544,065	557,650
Women's freestyle programs	462,534	388,378
Living the Dream program	305,000	647,500
Greco Roman programs	270,758	184,336
Lehman women's freestyle programs	165,944	263,220
Final X support	100,000	
Athlete appearance donations	61,053	29,888
Greg Strobel Leadership Academy	5,923	
Kiki-Wresting for Peace	<u>1,000</u>	
	<u>\$ 3,447,277</u>	<u>\$ 4,049,830</u>

Notes to Financial Statements

K. RELATED PARTY TRANSACTIONS

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

	<u>2022</u>	<u>2021</u>
NGB Funding	\$ 1,456,738	\$ 1,437,999
Special grants	133,100	47,415
Value in-kind	<u>5,000</u>	<u>49,230</u>
	<u>\$ 1,594,838</u>	<u>\$ 1,534,644</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, 2022 and 2021. The Association signed an amended agreement with the USOPC that extends the term of the agreement through December 31, 2022.

During the year ended August 31, 2021, the Association entered into an agreement with the USOPC to stage the U.S. Olympic Team Trials. Under this agreement, the Association recognized \$200,000 of revenue during the year ended August 31, 2021 and \$100,000 was recorded as due from the USOPC as of August 31, 2021.

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 a number of camps. No amount has been reflected in these financial statements for this support. The USOPC also reimburses the Association for expenses as agreed upon.

At August 31, 2022 and 2021, the Association owed the USOPC \$59,152 and \$970,857, 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, 2022 and 2021.

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

Notes to Financial Statements

L. PAYCHECK PROTECTION PROGRAM AND OTHER GOVERNMENT GRANTS

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. At August 31, 2020 \$630,000 was included in notes payable. During the year ended August 31, 2021, 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.

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.

The Association may be eligible to claim the Employee Retention Credit (ERC) enacted by The Coronavirus Aid, Relief, and Economic Security (CARES) Act which became law on March 27, 2020. The eligibility for the credit is based on defined thresholds for significant declines in gross receipts over the previous year's quarter or certain government restrictions imposed on the Association along with wages and employee retention. Wages used to satisfy the forgiveness requirement for the PPP loan are not eligible for the ERC.

As of the date of the audit report, the Association is continuing its analysis of eligibility and amount of potential credit. As of August 31, 2022, the Association is not able to reasonably estimate the possible credit and therefore has not accrued any grant receivable as of August 31, 2022.

Notes to Financial Statements

M. CONTINGENCIES AND UNCERTAINTIES

The outbreak of a novel strain of coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization, and the COVID-19 outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including 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 outbreak will affect the operations, collections, or financial results of the Association is uncertain.

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

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.