



**USA WATER SKI & WAKE SPORTS, INC.**

**Financial Statements**

**For the Year Ended December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the accompanying financial statements of USA Water Ski & Wake Sports, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 USA Water Ski & Wake Sports, Inc. as of December 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 USA Water Ski & Wake Sports, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Water Ski & Wake Sports, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USA Water Ski & Wake Sports, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial

doubt about USA Water Ski & Wake Sports, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited USA Water Ski & Wake Sports, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 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  
June 15, 2023

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Financial Position  
December 31, 2022  
(With Comparative Totals for December 31, 2021)

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,164,982	\$ 942,466
Short-term investments	390,944	481,246
Accounts receivable	17,747	7,241
Prepaid expenses	<u>11,697</u>	<u>10,572</u>
Total current assets	1,585,370	1,441,525
LONG-TERM INVESTMENTS	20,000	
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Computers and software	11,942	11,942
Furniture and equipment	5,550	5,550
Less accumulated depreciation	<u>(17,492)</u>	<u>(16,196)</u>
Property and equipment - net	<u>                    </u>	<u>1,296</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,605,370</u>	<u>\$ 1,442,821</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 41,318	\$ 6,076
Accrued liabilities	49,743	53,828
Refundable advances	5,000	
Current portion of deferred revenue	<u>410,239</u>	<u>544,167</u>
Total current liabilities	506,300	604,071
LONG-TERM DEFERRED REVENUE	<u>18,339</u>	<u>50,908</u>
Total liabilities	524,639	654,979
<b>NET ASSETS:</b>		
Net assets without donor restrictions	575,655	312,570
Net assets without donor restrictions - board designated	491,954	441,300
Net assets with donor restrictions	<u>13,122</u>	<u>33,972</u>
Total net assets	<u>1,080,731</u>	<u>787,842</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,605,370</u>	<u>\$ 1,442,821</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
<b>SUPPORT AND REVENUE:</b>				
Membership registrations	\$ 1,063,089	\$	\$ 1,063,089	\$ 810,439
Other grant	293,598		293,598	
National and regional tournaments	203,954		203,954	203,064
Event sanctioning income	157,503		157,503	139,398
Sport development	118,988		118,988	75,878
Marketing and partnership	110,066		110,066	113,736
Publication income	79,550		79,550	69,009
Employee retention credit	77,043		77,043	20,450
USOPC grants	58,100		58,100	71,198
Approved towboat testing	33,000		33,000	33,000
Merchandise sales	32,477		32,477	19,952
Contributions	25,531	5,961	31,492	30,777
Special event revenue	26,283		26,283	3,551
Other income	12,950		12,950	12,190
PPP grant forgiveness				192,374
Investment income (loss), net	(68,512)		(68,512)	37,781
Satisfaction of program restrictions	<u>26,811</u>	<u>(26,811)</u>		
 Total support and revenue	 2,250,431	 (20,850)	 2,229,581	 1,832,797
<b>EXPENSES:</b>				
Program services:				
Membership	535,529		535,529	461,395
Sport development	425,216		425,216	109,615
Publication	180,943		180,943	160,686
National tournaments	161,080		161,080	173,456
Sport discipline expense	122,751		122,751	72,286
Regional expense	78,738		78,738	72,306
Competitions	39,067		39,067	38,777
National teams	23,493		23,493	25,006
Towboat program	<u>12,978</u>		<u>12,978</u>	<u>12,881</u>
Total program services	1,579,795		1,579,795	1,126,408
Supporting services:				
General and administrative	242,155		242,155	220,409
Sponsorship development	<u>114,742</u>		<u>114,742</u>	<u>106,234</u>
Total supporting services	<u>356,897</u>		<u>356,897</u>	<u>326,643</u>
Total expenses	<u>1,936,692</u>		<u>1,936,692</u>	<u>1,453,051</u>
CHANGE IN NET ASSETS	313,739	(20,850)	292,889	379,746
NET ASSETS, beginning of year	<u>753,870</u>	<u>33,972</u>	<u>787,842</u>	<u>408,096</u>
NET ASSETS, end of year	<u>\$ 1,067,609</u>	<u>\$ 13,122</u>	<u>\$ 1,080,731</u>	<u>\$ 787,842</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	Membership	Sport Development	Publication	National Tournaments	Sport Discipline	Regional	Competitions	National Teams
Awards banquet	\$	\$	\$	\$ 840	\$	\$	\$	\$
Awards, scholarships & stipends				4,922	4,254	7,614		
AWSA admin fees								
Background screenings		22,172						
Bad debt expense								
Bank charges & credit card fees	8,034	2,951	4,715	1,694	252	993	1,972	759
Clinic, club & camp expenses		90,232				1,370		
Committees & meetings					2,166	4,154		
Computer supplies & service					1,708	2,469		
Contributions					180	6,750		
Depreciation	312	114	183	66			76	29
Dues & subscriptions	730	268	428	154			179	69
Employee benefits	10,652	3,912	6,252	2,246			2,614	1,006
Entry fees				76,490				
Equipment repair & vehicle expenses		13,890						
Exhibits				15,380				
Fundraising expense						1,000		
General event expenses				2,639	56,839	1,138		
Grants		190,965						
Grassroots series		19,018						
Insurance	382,611	4,856	3,722	1,337	1,229		1,556	599
Junior team & development					45,282	43,026		
Magazine production			66,524					
Miscellaneous expense	1,083	372	595	604	2,793	165	249	96
Office supplies	1,774	652	1,041	374	208		435	167
Officials expenses				8,981		1,500		
Payroll taxes	7,794	2,863	4,574	1,644			1,913	736
Postage			19,858					
Printing & duplication						296		
Professional fees	12,080	4,437	7,090	2,548		3,200	2,965	1,141
Promotion & marketing		370						
Regional expenses			520			2,224		
Retirement plan	4,942	1,815	2,901	1,509			1,213	
Salaries	105,379	38,705	61,851	22,223			25,861	9,950
Shipping & fulfillment								2,001
Sport discipline expense		27,573						
Taxes, licenses & permits	138	51	81	29	1,712		34	13
Team merchandise								6,927
Travel			608		328	1,839		
TV production				17,000	5,800	1,000		
VIP reception expense				400				
	<u>\$ 535,529</u>	<u>\$ 425,216</u>	<u>\$ 180,943</u>	<u>\$ 161,080</u>	<u>\$ 122,751</u>	<u>\$ 78,738</u>	<u>\$ 39,067</u>	<u>\$ 23,493</u>



	Towboat Program	Total Program Services	Supporting Services		Total Supporting Services	2022 Total Expenses	2021 Total Expenses
			General and Administrative	Sponsorship Development			
Awards banquet	\$	\$ 840	\$ 14,933	\$	\$ 14,933	\$ 15,773	\$ 588
Awards, scholarships & stipends		16,790				16,790	16,816
AWSA admin fees							14,007
Background screenings		22,172				22,172	2,550
Bad debt expense							2,250
Bank charges & credit card fees	655	22,025	7,373	5,267	12,640	34,665	35,226
Clinic, club & camp expenses		91,602				91,602	1,680
Committees & meetings		6,320	692		692	7,012	7,663
Computer supplies & service		4,177	51,605		51,605	55,782	65,289
Contributions		6,930				6,930	4,043
Depreciation	25	805	287	204	491	1,296	3,483
Dues & subscriptions	60	1,888	670	478	1,148	3,036	1,835
Employee benefits	868	27,550	9,861	6,983	16,844	44,394	39,793
Entry fees		76,490				76,490	86,307
Equipment repair & vehicle expenses		13,890				13,890	30
Exhibits		15,380				15,380	11,794
Fundraising expense		1,000		2,388	2,388	3,388	3,067
General event expenses		60,616				60,616	6,329
Grants		190,965				190,965	
Grassroots series		19,018				19,018	2,656
Insurance	517	396,427	5,817	4,157	9,974	406,401	337,020
Junior team & development		88,308				88,308	89,499
Magazine production		66,524				66,524	53,054
Miscellaneous expense	83	6,040	7,567	664	8,231	14,271	19,491
Office supplies	144	4,795	2,561	1,163	3,724	8,519	9,154
Officials expenses		10,481				10,481	8,178
Payroll taxes	635	20,159	7,151	5,109	12,260	32,419	30,231
Postage		19,858	934		934	20,792	15,439
Printing & duplication		296				296	294
Professional fees	985	34,446	21,085	7,919	29,004	63,450	63,431
Promotion & marketing		370				370	889
Regional expenses		2,744				2,744	316
Retirement plan	403	12,783	4,536	3,240	7,776	20,559	16,347
Salaries	8,592	272,561	98,418	69,084	167,502	440,063	420,348
Shipping & fulfillment		2,001		5,822	5,822	7,823	2,929
Sport discipline expense		27,573				27,573	42,715
Taxes, licenses & permits	11	2,069	125	90	215	2,284	569
Team merchandise		6,927				6,927	8,634
Travel		2,775	8,540	2,174	10,714	13,489	8,715
TV production		23,800				23,800	19,990
VIP reception expense		400				400	400
	<u>\$ 12,978</u>	<u>\$ 1,579,795</u>	<u>\$ 242,155</u>	<u>\$ 114,742</u>	<u>\$ 356,897</u>	<u>\$ 1,936,692</u>	<u>\$ 1,453,049</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 292,889	\$ 379,746
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,296	3,483
Net realized and unrealized (gains) loss on investments	71,788	(37,255)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(10,506)	40,613
Prepaid expenses	(1,125)	(6,775)
Increase (decrease) in liabilities:		
Accounts payable	35,242	(14,761)
Accrued liabilities	(4,085)	10,720
Refundable advances	5,000	(112,308)
Deferred revenue	<u>(166,497)</u>	<u>(1,658)</u>
Total adjustments	<u>(68,887)</u>	<u>(117,941)</u>
Net cash provided by operating activities	224,002	261,805
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(1,617)
Change in investments, net	<u>(1,486)</u>	<u>(364)</u>
Net cash used by investing activities	<u>(1,486)</u>	<u>(1,981)</u>
 NET INCREASE IN CASH	222,516	259,824
CASH AND CASH EQUIVALENTS, beginning of year	<u>942,466</u>	<u>682,642</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,164,982</u>	<u>\$ 942,466</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates making it reasonably possible that a change in these estimates could occur in the near term.

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the corporation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking and savings accounts. The Corporation maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure, the Corporation could suffer a loss to the extent its deposits exceed the respective bank insurance limits.

#### Accounts Receivable

Accounts receivable recognized by the Corporation include amounts from contracts with customers and are stated at the amount the Corporation expects to collect from balances outstanding at year end. Receivables from contracts with customers at the beginning and end of the period were \$7,241 and \$17,747, respectively.

Accounts receivable outstanding for more than 30 days are considered delinquent. Delinquent receivables are determined to be uncollectible on a case-by-case basis and are written off to bad debt expense at such point of determination.

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

#### Property and Equipment

Property and equipment consist of leasehold improvements, furniture, and office equipment used in the operations of the Corporation. Property and equipment are recorded at cost or, in the case of donated items, at the estimated fair market value at the date of the donation.

Depreciation is recorded using the straight-line method over an estimated life of three to seven years for furniture, equipment, computers, and software. Depreciation expense for the years ended December 31, 2022 and 2021, was \$1,999 and \$3,483, respectively.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions. Contributions and grants with donor restrictions are reported as support and revenue without donor restrictions if the restriction is met in the same year that the gift is received.

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

#### Donated Assets, Property and Equipment, and Services

In September 2020, FASB issued ASU 2020-7, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*.

The most significant change is disclosure of Corporation details related to contributed goods and services. The Corporation adopted this ASU as of January 1, 2022.

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

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

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

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Revenue from Contracts with Customers

##### Membership registrations

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

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

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

##### National and regional tournaments & Event sanctioning income

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

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

##### Marketing and partnership

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

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Revenue from Contracts with Customers - continued

##### Marketing and partnership - continued

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

##### Publication income

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

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

##### Merchandise sales

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

##### Other revenue

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

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

##### Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, income from certain activities not directly related to the Corporation's tax-exempt purposes is subject to taxation as unrelated business income.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Income Taxes - continued

The Corporation's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. The management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

#### Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the years ended December 31, 2022 and 2021.

#### Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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

#### Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting services based on salary and estimated time and effort spent in the related departments. For the years ended December 31, 2022 and 2021, the Corporation's supporting service expenses amounted to 16.01% and 17.82%, respectively, of total expenses.

#### Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 15, 2023, the date that the financial statements were available to be issued.



## Notes to Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY

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

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

The following table reflects the Corporation's financial assets as of December 31, 2022 and 2021. Additionally, the Corporation has funds designated by the Board of Directors for the benefit of the various Sport Disciplines and Regions (Note H), and funds designated by donors for the benefit of various program services (Note I).

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,164,982	\$ 942,466
Short-term investments	390,944	481,246
Accounts receivable	<u>17,747</u>	<u>7,241</u>
Total financial assets	1,573,673	1,430,953
Less amounts with board restrictions (Note H)	(491,954)	(441,300)
Less amounts with donor restrictions - temporary (Note I)	<u>(13,122)</u>	<u>(33,972)</u>
Financial assets available within one year	<u>\$ 1,068,597</u>	<u>\$ 955,681</u>

### C. FAIR VALUE MEASUREMENTS

The Corporation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

## Notes to Financial Statements

### C. FAIR VALUE MEASUREMENTS - Continued

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

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

## Notes to Financial Statements

### C. FAIR VALUE MEASUREMENTS - Continued

<u>Assets at Fair Value as of December 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Common stock & ETFs	\$ 287,048	\$	\$	\$ 287,048
Structured products		87,431		87,431
Mutual funds	69,430			69,430
Debt securities:				
Certificates of deposit		21,391		21,391
Money market	15,946			15,946
	<u>\$ 372,424</u>	<u>\$ 108,822</u>	<u>\$</u>	<u>\$ 481,246</u>

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Realized gains	\$ (18,052)	\$ 32,954
Unrealized gains	(53,736)	4,301
Interest and dividends	7,621	6,619
Investment fees	(4,345)	(6,093)
	<u>\$ (68,512)</u>	<u>\$ 37,781</u>

### D. USA WATER SKI AND WAKE SPORTS FOUNDATION

The USA Water Ski & Wake Sports Foundation (the Foundation) is a separate exempt entity created to establish, administer, and promote an educational program devoted to the development and training of water skiers as a means of healthful recreation and physical fitness and to stimulate an interest in water skiing competitions.

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

### E. DEFERRED REVENUE

Deferred revenue recognized by the Corporation includes amounts from contracts with customers. Deferred revenue consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Memberships	\$ 394,073	\$ 547,625
Sanction fees	34,505	47,450
	<u>\$ 428,578</u>	<u>\$ 595,075</u>

## Notes to Financial Statements

### E. DEFERRED REVENUE - Continued

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

### F. REFUNDABLE ADVANCES

In accordance with FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), the Corporation classified conditional promises to give subject to donor-imposed conditions received in prior years as refundable advances at December 31, 2022 and 2021. As the Corporation satisfies the barriers and conditions set forth in the respective grant contracts, revenue is recognized accordingly.

Refundable advances consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
USOPC grant (Note K)	<u>\$ 5,000</u>	<u>\$ -</u>

### G. RETIREMENT PLAN

The Corporation has a 401(k)-profit sharing plan for its employees. Employees are eligible to participate if they are over the age of 21 with at least one year of service. Each year, the Corporation may elect to make a discretionary matching contribution. The contribution will be allocated to participants based on a uniform percentage of employee salary deferrals, as defined by the plan. Total pension expense for the years ended December 31, 2022 and 2021, amounted to \$15,995 and \$16,347, respectively.

Notes to Financial Statements

H. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

At December 31, 2022 and 2021, Net assets without donor restrictions - board designated consist of the following:

	<u>2022</u>	<u>2021</u>
American Water Ski Association	\$ 113,190	\$ 88,133
American Barefoot Club	87,573	74,383
Midwest region	74,886	82,149
Western region	71,497	62,580
Junior Development Funds	41,959	32,903
Eastern region	37,039	35,253
Southern region	34,339	36,062
South Central region	22,689	21,081
Wakeboard	4,703	4,813
American Kneeboard Association	4,079	3,943
	<u>\$ 491,954</u>	<u>\$ 441,300</u>

I. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2022 and 2021, are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Teams-age specific	\$ 10,391	\$ 12,883
Physician	2,062	3,463
Teams-other	669	75
Elite Team	_____	17,551
	<u>\$ 13,122</u>	<u>\$ 33,972</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2022 and 2021, net assets with donor restrictions were released for the following programs:

	<u>2022</u>	<u>2021</u>
Elite Team	\$ 19,711	\$ _____
Teams-age specific	5,118	14,200
Physician	1,401	_____
Teams-other	581	_____
	<u>\$ 26,811</u>	<u>\$ 14,200</u>

## Notes to Financial Statements

### J. SPORT DISCIPLINES AND REGIONS

The Corporation has five separate regions and nine separate sport disciplines that assist in administering tournaments across the United States of America. The Corporation granted funding to these regions and disciplines in the total amount of \$60,965 and \$42,715 during the years ended December 31, 2022 and 2021, respectively. The amount of revenue and expense for the regions and sports disciplines included in these financial statements have been eliminated.

### K. RELATED PARTIES

During the years ended December 31, 2022 and 2021, the USOPC provided grants to the Corporation of \$58,100 and \$71,198, respectively. The grants awarded during the years ended December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Administration costs	\$ 58,100	\$ 50,000
COVID-19 support		16,208
SafeSport educational video		<u>4,990</u>
	<u>\$ 58,100</u>	<u>\$ 71,198</u>

In addition, the Corporation received \$50,000 for the digital media agreement, which is considered a contract with a customer, and is included in marketing and partnership revenue on the accompanying statement of activities.

### L. LEASES

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

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

## Notes to Financial Statements

### L. LEASES - Continued

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

The Corporation adopted ASU 2016-02 effective January 1, 2022. The Corporation had no leases during the year ended December 31, 2022

In 2015, the Corporation signed a new operating lease for postage equipment. The new lease required quarterly payments of \$2,874 and originally expired April 2021. During the year ended December 31, 2021, the Corporation paid \$1,538 related to the cancellation of this lease.

Rental expenses under the leases for December 31, 2022 and 2021, were \$0 and \$1,538, respectively.

### M. PAYCHECK PROTECTION PROGRAM

In February 2021, the Corporation received a \$95,500 loan from Community Banks of Colorado through the second round of the Small Business Administration's Paycheck Protection Program. 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.

### M. PAYCHECK PROTECTION PROGRAM - Continued

In November 2021, the Corporation met the criteria for forgiveness of the loan and has received confirmation from the Small Business Administration that they qualified for full loan forgiveness. The proceeds from the loan have been included in the statement of activities as PPP grant forgiveness revenue.

### N. EMPLOYEE RETENTION TAX CREDIT

The 2021 Coronavirus Aid, Relief, and Economic Security (CARES) act included a provision that created the employee retention credit, a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States Government which extended the credit through September 30, 2021 and expanded the credit to allow it to be equal to 70% of qualified wages paid to employees during a quarter, and the

## Notes to Financial Statements

### N. EMPLOYEE RETENTION TAX CREDIT - Continued

limit on qualified wages per employee was \$10,000 of qualified wages per quarter. The Corporation determined that it qualified for the tax credit and during the years ended December 31, 2022 and 2021, received a credit of \$77,043 and \$20,450, respectively. The credit received is considered a grant by the Corporation and has been recognized as Employee retention credit revenue in the accompanying statement of activities.

### O. UNCERTAINTIES

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

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

### P. CONTINGENCIES

Occasionally, in the normal conduct of business, the Corporation may be named defendant in a lawsuit or other form of legal action. In the opinion of management, any pending or threatened claims against the Corporation, as of December 31, 2022, are either without merit or will not exceed insurance limits.