



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

**Financial Statements**

**For the Year Ended December 31, 2021**

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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, 2021, 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, 2021, 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 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 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 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
August 1, 2022

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Financial Position  
December 31, 2021  
(With Comparative Totals for December 31, 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 942,466	\$ 682,642
Short-term investments	481,246	443,627
Accounts receivable	7,241	47,854
Prepaid expenses	<u>10,572</u>	<u>3,797</u>
Total current assets	1,441,525	1,177,920
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Computers and software	11,942	10,325
Furniture and equipment	5,550	5,550
Less accumulated depreciation	<u>(16,196)</u>	<u>(12,713)</u>
Property and equipment - net	<u>1,296</u>	<u>3,162</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,442,821</u>	<u>\$ 1,181,082</u>

<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 6,076	\$ 20,837
Accrued liabilities	53,828	43,108
Refundable advances		112,308
Current portion of deferred revenue	<u>544,167</u>	<u>553,519</u>
Total current liabilities	604,071	729,772
<b>LONG-TERM DEFERRED REVENUE</b>	<u>50,908</u>	<u>43,214</u>
Total liabilities	654,979	772,986
<b>NET ASSETS:</b>		
Net assets without donor restrictions	312,570	(51,666)
Net assets without donor restrictions - board designated	441,300	423,724
Net assets with donor restrictions	<u>33,972</u>	<u>36,038</u>
Total net assets	<u>787,842</u>	<u>408,096</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,442,821</u>	<u>\$ 1,181,082</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, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
<b>SUPPORT AND REVENUE:</b>				
Membership registrations	\$ 810,439	\$	\$ 810,439	\$ 713,999
National and regional tournaments	203,064		203,064	191,171
PPP grant forgiveness	192,374		192,374	
Event sanctioning income	139,398		139,398	56,184
Marketing and partnership	113,736		113,736	108,989
Sport development	75,878		75,878	77,072
USOPC grants	71,198		71,198	66,207
Publication income	69,009		69,009	81,154
Investment income, net	37,781		37,781	22,496
Approved towboat testing	33,000		33,000	33,000
Contributions	18,643	12,134	30,777	23,093
Employee retention credit	20,450		20,450	
Merchandise sales	19,952		19,952	27,250
Other income	12,190		12,190	2,307
Special event revenue	3,551		3,551	13,581
Gain on disposal of assets				4,777
Satisfaction of program restrictions	<u>14,200</u>	<u>(14,200)</u>		
 Total support and revenue	 1,834,863	 (2,066)	 1,832,797	 1,421,280
<b>EXPENSES:</b>				
Program services:				
Membership	461,395		461,395	454,123
National tournaments	173,456		173,456	136,955
Publication	160,686		160,686	159,106
Sport development	109,615		109,615	97,766
Regional expense	72,306		72,306	103,240
Sport discipline expense	72,286		72,286	42,775
Competitions	38,777		38,777	38,750
National teams	25,006		25,006	25,086
Towboat program	<u>12,881</u>		<u>12,881</u>	<u>15,815</u>
Total program services	1,126,408		1,126,408	1,073,616
Supporting services:				
General and administrative	220,409		220,409	225,028
Sponsorship development	<u>106,234</u>		<u>106,234</u>	<u>109,024</u>
Total supporting services	<u>326,643</u>		<u>326,643</u>	<u>334,052</u>
Total expenses	<u>1,453,051</u>		<u>1,453,051</u>	<u>1,407,668</u>
CHANGE IN NET ASSETS	381,812	(2,066)	379,746	13,612
NET ASSETS, beginning of year	<u>372,058</u>	<u>36,038</u>	<u>408,096</u>	<u>394,484</u>
NET ASSETS, end of year	<u>\$ 753,870</u>	<u>\$ 33,972</u>	<u>\$ 787,842</u>	<u>\$ 408,096</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	Membership	National Tournaments	Publication	Sport Development	Regional	Sport Discipline	Competitions	National Teams
Awards, scholarships & stipends	\$	\$ 788	\$	\$	\$ 9,359	\$ 6,669	\$	\$
Awards banquet		588						
AWSA admin fees		14,007						
Background screenings				2,550				
Bad debt expense								
Bank charges & credit card fees	9,038	1,906	5,305	3,320	500	150	2,218	853
Clinic, club & camp expenses					1,680			
Committees & meetings					7,191	472		
Computer supplies & service	267	56	157	98	1,217	3,646	65	25
Contributions					3,918	125		
Depreciation	837	177	491	308			205	79
Dues & subscriptions	441	93	259	162			108	42
Employee benefits	9,566	2,017	5,615	3,514			2,348	903
Entry fees		85,707			600			
Equipment repair & vehicle expenses				30				
Exhibits		11,794						
Fundraising expense						1,475		
General event expenses					2,816	3,513		
Grassroots series				2,656				
Insurance	310,244	1,561	4,343	5,426		690	1,815	698
Junior team & development					41,852	47,647		
Magazine production			53,054					
Miscellaneous expense	1,133	5,039	665	416	879	640	278	107
Occupancy expenses	1,573	332	923	578			386	149
Office supplies	292	62	171	107		360	72	28
Officials expenses		8,178						
Payroll taxes	7,268	1,533	4,266	2,669			1,784	686
Postage	540	78	13,184	136			91	35
Printing & duplication					294			
Professional fees	15,249	3,216	8,950	5,601			3,742	1,440
Promotion & marketing				889				
Regional expenses			316					
Retirement plan	3,930	1,200	2,307	1,443			964	
Salaries	99,464	20,975	58,380	36,533			24,410	9,392
Shipping & fulfillment	370							1,823
Sport discipline expense				42,715				
Taxes, licenses & permits	137	29	80	50			34	13
Team merchandise								8,634
Travel	1,046	220	2,220	414	2,000	409	257	99
TV production		13,500				6,490		
VIP reception expense		400						
	<u>\$ 461,395</u>	<u>\$ 173,456</u>	<u>\$ 160,686</u>	<u>\$ 109,615</u>	<u>\$ 72,306</u>	<u>\$ 72,286</u>	<u>\$ 38,777</u>	<u>\$ 25,006</u>



	Towboat Program	Total Program Services	Supporting Services		Total Supporting Services	2021 Total Expenses	2020 Total Expenses
			General and Administrative	Sponsorship Development			
Awards, scholarships & stipends	\$	\$ 16,816	\$	\$	\$	\$ 16,816	\$ 16,235
Awards banquet		588				588	15,905
AWSA admin fees		14,007				14,007	11,151
Background screenings		2,550				2,550	2,063
Bad debt expense			2,250		2,250	2,250	
Bank charges & credit card fees	737	24,027	5,273	5,926	11,199	35,226	35,057
Clinic, club & camp expenses		1,680				1,680	2,660
Committees & meetings		7,663				7,663	17,364
Computer supplies & service	22	5,553	59,561	175	59,736	65,289	62,745
Contributions		4,043				4,043	13,004
Depreciation	68	2,165	769	549	1,318	3,483	4,720
Dues & subscriptions	36	1,141	405	289	694	1,835	4,049
Employee benefits	780	24,743	8,779	6,271	15,050	39,793	30,550
Entry fees		86,307				86,307	74,752
Equipment repair & vehicle expenses		30				30	2,100
Exhibits		11,794				11,794	8,110
Fundraising expense		1,475		1,592	1,592	3,067	
General event expenses		6,329				6,329	14,060
Grassroots series		2,656				2,656	2,939
Insurance	603	325,380	6,789	4,851	11,640	337,020	326,330
Junior team & development		89,499				89,499	59,085
Magazine production		53,054				53,054	37,762
Miscellaneous expense	92	9,249	9,500	742	10,242	19,491	9,599
Occupancy expenses	128	4,069	1,443	1,031	2,474	6,543	60,004
Office supplies	24	1,116	1,306	191	1,497	2,613	2,295
Officials expenses		8,178				8,178	5,051
Payroll taxes	593	18,799	6,668	4,764	11,432	30,231	29,500
Postage	30	14,094	1,103	242	1,345	15,439	13,818
Printing & duplication		294				294	5,143
Professional fees	1,243	39,441	13,993	9,997	23,990	63,431	40,751
Promotion & marketing		889				889	2,207
Regional expenses		316				316	20,507
Retirement plan	320	10,164	3,607	2,576	6,183	16,347	9,665
Salaries	8,109	257,263	97,879	65,206	163,085	420,348	403,447
Shipping & fulfillment		2,193		736	736	2,929	7,967
Sport discipline expense		42,715				42,715	29,332
Taxes, licenses & permits	11	354	125	90	215	569	614
Team merchandise		8,634				8,634	8,786
Travel	85	6,750	959	1,006	1,965	8,715	11,841
TV production		19,990				19,990	6,500
VIP reception expense		400				400	
	<u>\$ 12,881</u>	<u>\$ 1,126,408</u>	<u>\$ 220,409</u>	<u>\$ 106,234</u>	<u>\$ 326,643</u>	<u>\$ 1,453,051</u>	<u>\$ 1,407,668</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 379,746	\$ 13,612
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,483	4,720
Gain on disposal of assets		(4,777)
Noncash prepaid occupancy expenses		48,334
Net realized and unrealized gains on investments	(37,255)	(18,690)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	40,613	3,186
Prepaid expenses	(6,775)	15,011
Inventory		2,143
Other assets		564
Increase (decrease) in liabilities:		
Accounts payable	(14,761)	(280)
Accrued liabilities	10,720	(14,011)
Refundable advances	(112,308)	112,308
Deferred revenue	(1,658)	93,563
Total adjustments	<u>(117,941)</u>	<u>242,071</u>
Net cash provided by operating activities	261,805	255,683
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,617)	(670)
Proceeds from sale of equipment		4,777
Change in investments, net	<u>(364)</u>	<u>(126,320)</u>
Net cash used by investing activities	<u>(1,981)</u>	<u>(122,213)</u>
NET INCREASE IN CASH	259,824	133,470
CASH AND CASH EQUIVALENTS, beginning of year	<u>682,642</u>	<u>549,172</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 942,466</u>	<u>\$ 682,642</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2021

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, and USA Wakeboard. USA Adaptive Water Ski & Wake Sports was affiliated with the Corporation through December 31, 2020 as it became a separate legal entity as of January 1, 2021. The sports disciplines that are separate legal entities are not included in these financial statements.

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 \$45,700 and \$5,945, 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.

## Notes to Financial Statements

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

#### Accounts Receivable - continued

Based on the Corporation's experience with customers having outstanding balances, it has 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, 2021 and 2020, was \$3,483 and \$4,720, 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 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.

## Notes to Financial Statements

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

#### Contributed Services

The Corporation receives a substantial amount of donated services in carrying out its programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958, "Not-For-Profit Entities".

#### 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.

## Notes to Financial Statements

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

#### Revenue from Contracts with Customers - continued

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 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 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.

## Notes to Financial Statements

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

#### 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.

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. 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, 2021 and 2020.

#### 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, 2020, 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, 2021 and 2020, the Corporation's supporting service expenses amounted to 17.90% and 23.50%, respectively, of total support and revenue.

## Notes to Financial Statements

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

#### Use of Estimates in 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 Corporation has evaluated events and transactions for potential recognition or disclosure through August 1, 2022, the date that the financial statements were available to be issued.

### 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, 2021 and 2020. 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).



## Notes to Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 942,466	\$ 682,642
Short-term investments	481,246	443,627
Accounts receivable	<u>7,241</u>	<u>47,854</u>
Total financial assets	1,430,953	1,174,123
Less amounts with board restrictions (Note H)	(441,300)	(423,724)
Less amounts with donor restrictions - temporary (Note I)	<u>(33,972)</u>	<u>(36,038)</u>
Financial assets available within one year	<u>\$ 955,681</u>	<u>\$ 714,361</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.

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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

Assets at Fair Value as of December 31, 2021

	<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	<u>15,946</u>			<u>15,946</u>
	<u>\$ 393,815</u>	<u>\$ 87,431</u>	<u>\$</u>	<u>\$ 481,246</u>

Assets at Fair Value as of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Common stock & ETFs	\$ 278,670	\$	\$	\$ 278,670
Mutual funds	96,055			96,055
Debt securities:				
Fixed income securities				
Certificates of deposit	21,375			21,375
Money market	<u>47,527</u>			<u>47,527</u>
	<u>\$ 443,627</u>	<u>\$</u>	<u>\$</u>	<u>\$ 443,627</u>

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Realized gains	\$ 32,954	\$ 4,434
Unrealized gains	4,301	14,256
Interest and dividends	6,619	6,839
Investment fees	<u>(6,093)</u>	<u>(3,033)</u>
	<u>\$ 37,781</u>	<u>\$ 22,496</u>

## Notes to Financial Statements

### 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 competition.

The Corporation leased office space from the Foundation in accordance with an operating lease with an initial term through November 2019 at an annual rate of \$10.

That agreement also included a provision to share net proceeds upon sale of the building. The Foundation sold the building at the end of 2017 and entered into a new sublease agreement with the Corporation for office space effective December 29, 2017.

Under terms of the new agreement, the shared net proceeds of \$145,000 are not to be received in cash by the Corporation but used as prepayments towards occupancy expenses. The Corporation will be allowed to remain in the building, with no payments for rent or utilities except phone service.

Early termination by either party will result in forfeiture of amounts related to the shared net proceeds. The Corporation's intent was to remain in the office space until at least December 31, 2020. Due to the COVID-19 pandemic the Corporation moved out of the building to work remotely. The move was not considered early termination of the agreement.

During the year ended December 31, 2020, the Corporation recognized \$48,333 of in-kind occupancy expenses under the previous agreement. During the year ended December 31, 2021, due to the Corporation no longer occupying the building, the Corporation did not recognize any in-kind occupancy expenses.

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 include amounts from contracts with customers. Deferred revenue consists of the following at December 31, 2021 and 2020:

## Notes to Financial Statements

### E. DEFERRED REVENUE - Continued

	<u>2021</u>	<u>2020</u>
Memberships	\$ 547,625	\$ 491,783
Sanction fees	47,450	79,859
Club insurance	<u>                    </u>	<u>25,091</u>
	<u>\$ 595,075</u>	<u>\$ 596,733</u>

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, 2021 and 2020. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
PPP loan (Note M)	\$	\$ 95,500
USOPC special grant (Note K)	<u>                    </u>	<u>16,808</u>
	<u>\$</u>	<u>\$ 112,308</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, 2021 and 2020, amounted to \$16,347 and \$9,665, respectively.

Notes to Financial Statements

H. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

At December 31, 2021 and 2020, Net assets without donor restrictions - board designated consist of the following:

	<u>2021</u>	<u>2020</u>
American Water Ski Association	\$ 88,133	\$ 80,580
Midwest region	82,149	77,139
American Barefoot Club	74,383	68,099
Western region	62,580	64,029
Southern region	36,062	25,167
Eastern region	35,253	32,997
Junior Development Funds	32,903	36,730
South Central region	21,081	24,031
Wakeboard	4,813	4,542
American Kneeboard Association	3,943	3,756
Adaptive Water Ski and Wake Sports	<u>                    </u>	<u>6,654</u>
	<u>\$ 441,300</u>	<u>\$ 423,724</u>

I. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2021 and 2020, are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Elite Team	\$ 17,551	\$ 6,431
Teams-age specific	12,883	22,068
Physician	3,463	3,463
Teams-other	<u>75</u>	<u>4,076</u>
	<u>\$ 33,972</u>	<u>\$ 36,038</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2021 and 2020, net assets with donor restrictions were released for the following programs:

	<u>2021</u>	<u>2020</u>
Teams-age specific	<u>\$ 14,200</u>	<u>                    </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 \$66,479 and \$69,363 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the USOPC provided grants to the Corporation of \$71,198 and \$66,207, respectively. The grants awarded during the years ended December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Administration costs	\$ 50,000	\$ 50,000
COVID-19 support	16,208	16,207
SafeSport educational video	<u>4,990</u>	<u>          </u>
	<u>\$ 71,198</u>	<u>\$ 66,207</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

During the year ended December 31, 2015, the Corporation signed an operating lease for postage equipment that replaced the former lease. The final quarterly payment on the former lease was waived. 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. The Corporation also leased a copier at a monthly rate of \$370 with an original expiration date of December 2020. During the year ended December 31, 2020, the Corporation canceled these leases.

As explained in Note D, the Corporation subleased office space from the USA Water Ski & Wake Sports Foundation. No payments were required through December 31, 2020.

## Notes to Financial Statements

### L. LEASES

Rental expenses under the leases for December 31, 2021 and 2020, were \$0 and \$4,978, respectively.

### M. PAYCHECK PROTECTION PROGRAM

In April 2020, the Corporation received a \$95,500 loan from First Home Bank through the Small Business Administration's Paycheck Protection Program. Under this 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. Any portion of the loan that is not forgiven has a maturity of not less than two years and an interest rate of 1.0%. Loan payments are deferred for 10 months.

In January 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.

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. Any portion of the loan that is not forgiven has a maturity of up to five years and an interest rate of 1%. Loan payments are deferred for 10 months.

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

## Notes to Financial Statements

### N. EMPLOYEE RETENTION TAX CREDIT - Continued

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 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 year ended December 31, 2021, received a credit of \$20,450. 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 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, 2021, are either without merit or will not exceed insurance limits.