



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

**Financial Statements**

**For the Year Ended December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Water Ski & Wake Sports, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We have previously audited USA Water Ski & Wake Sports, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Emphasis of Matter**

As described in Note A to the financial statements, in 2019, USA Water Ski & Wake Sports, Inc. adopted Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers*, ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities)*, ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. Our opinion is not modified with respect to these matters.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
November 19, 2020

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Financial Position  
December 31, 2019  
(With Comparative Totals for 2018)

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 549,172	\$ 538,646
Short-term investments	298,617	261,027
Accounts receivable	51,040	56,747
Prepaid occupancy expenses	48,334	96,667
Prepaid expenses	18,808	15,602
Inventory	2,143	10,972
Other assets	<u>564</u>	<u>          </u>
Total current assets	968,678	979,661
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Computers and software	58,145	54,898
Furniture and equipment	182,189	182,189
Leasehold improvements	43,390	43,390
Less accumulated depreciation	<u>(276,512)</u>	<u>(267,752)</u>
Property and equipment - net	<u>7,212</u>	<u>12,725</u>
<b>TOTAL ASSETS</b>	<u>\$ 975,890</u>	<u>\$ 992,386</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 21,117	\$ 9,358
Accrued liabilities	57,119	32,324
Current portion of deferred revenue	<u>460,645</u>	<u>445,868</u>
Total current liabilities	538,881	487,550
<b>LONG-TERM DEFERRED REVENUE</b>	<u>42,525</u>	<u>35,755</u>
Total liabilities	581,406	523,305
<b>NET ASSETS:</b>		
Net assets without donor restrictions	(39,522)	13,120
Net assets without donor restrictions - board designated	405,051	434,575
Net assets with donor restrictions	<u>28,955</u>	<u>21,386</u>
Total net assets	<u>394,484</u>	<u>469,081</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 975,890</u>	<u>\$ 992,386</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, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
<b>SUPPORT AND REVENUE:</b>				
Membership registrations	\$ 924,823	\$	\$ 924,823	\$ 913,071
National and regional tournaments	284,565		284,565	193,791
Marketing and partnership	119,863		119,863	83,284
Contributions	95,479	20,192	115,671	79,336
Event sanctioning income	113,108		113,108	145,649
Publication income	107,099		107,099	156,129
Sport development	54,099		54,099	52,119
Approved towboat testing	47,000		47,000	47,000
Investment income (loss), net	38,024		38,024	(11,131)
Merchandise sales	28,457		28,457	43,754
Other income	11,992		11,992	12,952
Special event revenue	8,562		8,562	9,398
Value-in-kind				145,000
Pan American Games income				2,000
Loss on disposal of software				(137,213)
Satisfaction of program restrictions	12,623	(12,623)		
Total support and revenue	<u>1,845,694</u>	<u>7,569</u>	<u>1,853,263</u>	<u>1,735,139</u>
<b>EXPENSES:</b>				
Program services:				
Membership	565,713		565,713	548,648
Publication expense	232,926		232,926	256,699
Sport discipline expense	199,992		199,992	153,275
National tournaments	185,304		185,304	169,648
Sport development	138,246		138,246	136,323
Regional expense	121,755		121,755	154,953
Competitions	50,644		50,644	50,668
National teams	40,997		40,997	47,385
Towboat program	21,939		21,939	24,214
Total program services	<u>1,557,516</u>		<u>1,557,516</u>	<u>1,541,813</u>
Supporting services:				
General and administrative expense	230,702		230,702	203,165
Sponsorship development	139,642		139,642	142,946
Total supporting services	<u>370,344</u>		<u>370,344</u>	<u>346,111</u>
Total expenses	<u>1,927,860</u>		<u>1,927,860</u>	<u>1,887,924</u>
CHANGE IN NET ASSETS	(82,166)	7,569	(74,597)	(152,785)
NET ASSETS, beginning of year	<u>447,695</u>	<u>21,386</u>	<u>469,081</u>	<u>621,866</u>
NET ASSETS, end of year	<u>\$ 365,529</u>	<u>\$ 28,955</u>	<u>\$ 394,484</u>	<u>\$ 469,081</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2019  
(With Comparative Amounts for 2018)

	Membership	Publication	Sport Discipline	National Tournaments	Sport Development	Regional	Competitions	National Teams
Awards & scholarships	\$	\$	\$ 6,301	\$ 5,783	\$	\$ 7,694	\$	\$
Awards banquet				840				
AWSA admin fees				14,238				
Background screenings					7,944			
Bad debt expense								
Bank charges & credit card fees	12,645	7,422	1,571	2,667	4,645	585	3,103	1,194
Building repair & maintenance								
Clinic, club, & camp expenses					659	2,330		
Committees & meetings			4,030			17,851		
Computer supplies & service	10,673	6,264	871	2,251	3,920	1,378	2,619	1,008
Contributions			750			6,066		
Depreciation	2,106	1,236		444	774		517	199
Dues & subscriptions	743	436		157	273		182	70
Employee benefits	10,148	5,956		2,140	3,727		2,490	958
Entry fees				87,262				
Equipment repair & vehicle expenses					14,725			
Exhibits				11,417				
Fundraising expense								
General event expenses			108,895	5,271		4,277	98	
Grassroots series					6,066			
Insurance	348,625	5,868	53	2,108	6,172		2,454	944
Junior team & development			54,630			50,459		
Magazine production		54,319						
Merchandise costs of sales								6,692
Miscellaneous expense	809	475	7,280	1,738	302	2,960	199	76
Occupancy expenses	15,685	9,207		3,308	5,762		3,849	1,481
Office supplies	668	392		141	245	412	164	63
Officials expenses				7,530		3,500		
Payroll taxes	8,161	4,790		1,721	2,998		2,003	771
Postage	7,172	17,754		591	1,029		688	265
Printing & duplication	1,457	855		307	535	4,778	357	138
Professional fees	6,057	3,555	1,764	1,277	2,225	6,300	1,486	572
Promotion & marketing	545	320		115	2,541		134	51
Regional expenses		38,824						
Retirement plan	2,433	1,428		513	894		597	230
Salaries	119,815	70,324		25,267	44,008		29,404	11,314
Shipping & fulfillment	16,698							
Sport discipline expense					28,352			
Sport discipline fundraising								
Taxes, licenses & permits	263	154	165	55	97		64	25
Team merchandise								14,855
Travel	1,010	3,347	13,682	203	353	13,165	236	91
TV production				7,560				
VIP reception expense				400				
	<u>\$ 565,713</u>	<u>\$ 232,926</u>	<u>\$ 199,992</u>	<u>\$ 185,304</u>	<u>\$ 138,246</u>	<u>\$ 121,755</u>	<u>\$ 50,644</u>	<u>\$ 40,997</u>

	<u>Supporting Services</u>						
	Towboat Program	Program Services	General & Administrative	Sponsorship Development	Supporting Services	2019 Totals	2018 Totals
Awards & scholarships	\$ 200	\$ 19,978				\$ 19,978	\$ 42,560
Awards banquet		840	14,169		14,169	15,009	16,022
AWSA admin fees		14,238				14,238	14,616
Background screenings		7,944				7,944	8,510
Bad debt expense			5,000		5,000	5,000	3,999
Bank charges & credit card fees	1,031	34,863	11,603	8,289	19,892	54,755	39,253
Building repair & maintenance							1,352
Clinic, club, & camp expenses		2,989				2,989	19,173
Committees & meetings		21,881	295		295	22,176	11,763
Computer supplies & service	870	29,854	10,290	6,996	17,286	47,140	49,963
Contributions		6,816				6,816	9,628
Depreciation	172	5,448	1,932	1,380	3,312	8,760	8,739
Dues & subscriptions	61	1,922	682	487	1,169	3,091	4,353
Employee benefits	827	26,246	9,312	6,655	15,967	42,213	45,799
Entry fees		87,262				87,262	80,690
Equipment repair & vehicle expenses	394	15,119	5,000		5,000	20,119	13,574
Exhibits		11,417				11,417	6,859
Fundraising expense				250	250	250	37
General event expenses		118,541				118,541	132,080
Grassroots series		6,066				6,066	3,182
Insurance	815	367,039	9,174	6,554	15,728	382,767	355,298
Junior team & development		105,089				105,089	42,556
Magazine production		54,319				54,319	69,024
Merchandise costs of sales		6,692				6,692	8,932
Miscellaneous expense	126	13,965	2,348	530	2,878	16,843	18,441
Occupancy expenses	1,279	40,571	14,394	10,283	24,677	65,248	67,076
Office supplies	54	2,139	613	439	1,052	3,191	3,203
Officials expenses		11,030				11,030	6,643
Payroll taxes	665	21,109	7,538	5,349	12,887	33,996	37,825
Postage	228	27,727	5,525	1,837	7,362	35,089	39,885
Printing & duplication	119	8,546	1,337	954	2,291	10,837	19,003
Professional fees	493	23,729	5,558	3,972	9,530	33,259	31,008
Promotion & marketing	44	3,750	500	357	857	4,607	3,357
Regional expenses		38,824				38,824	37,151
Retirement plan	198	6,293	2,233	1,596	3,829	10,122	16,620
Salaries	9,768	309,900	122,030	78,546	200,576	510,476	493,840
Shipping & fulfillment		16,698		1,738	1,738	18,436	18,250
Sport discipline expense		28,352				28,352	30,894
Sport discipline fundraising				2,100	2,100	2,100	4,670
Taxes, licenses & permits	21	844	241	173	414	1,258	2,870
Team merchandise		14,855				14,855	19,142
Travel	4,574	36,661	928	1,157	2,085	38,746	42,065
TV production		7,560				7,560	7,619
VIP reception expense		400				400	400
	<u>\$ 21,939</u>	<u>\$ 1,557,516</u>	<u>\$ 230,702</u>	<u>\$ 139,642</u>	<u>\$ 370,344</u>	<u>\$ 1,927,860</u>	<u>\$ 1,887,924</u>

See Notes to Financial Statements



USA WATER SKI & WAKE SPORTS, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (74,597)	\$ (152,785)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	8,760	8,739
Loss on disposal of software		137,213
Noncash prepaid occupancy expenses	48,333	(96,667)
Unrealized (gain) loss on investments	(35,833)	30,846
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	5,707	(21,026)
Prepaid expenses	(3,206)	71,486
Inventory	8,829	3,090
Other assets	(564)	2,627
Increase (decrease) in liabilities:		
Accounts payable	11,759	(3,136)
Accrued liabilities	24,795	(17,250)
Deferred revenue	21,547	(4,677)
Total adjustments	<u>90,127</u>	<u>111,245</u>
Net cash provided (used) by operating activities	15,530	(41,540)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(3,247)	(73,595)
Change in investments, net	<u>(1,757)</u>	<u>124,219</u>
Net cash provided by investing activities	<u>(5,004)</u>	<u>50,624</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,526	9,084
CASH AND CASH EQUIVALENTS, beginning of year	<u>538,646</u>	<u>529,562</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 549,172</u>	<u>\$ 538,646</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2019

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. USA Water Ski & Wake Sports, Inc. is a member of the International Water Ski Federation, the Pan American Sports Organization, and the United States Olympic & Paralympic Committee. Affiliated with USA Water Ski & Wake Sports, Inc. 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 Wakeboard, and USA Adaptive Water Ski & Wake Sports. The sports disciplines that are separate legal entities are not included in these financial statements.

Accounting Standards Update

On January 1, 2019, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) and 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). These two ASUs were adopted together as of January 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. ASU 2014-09 was adopted retrospectively for all periods presented. Accordingly, there is no effect on net assets in connection with implementation of the two ASUs. On January 1, 2019, the Corporation also adopted FASB ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*.

## Notes to Financial Statements

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

#### Accounting Standards Update - continued

These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

#### 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 \$53,226 and \$45,700, 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 concluded that any losses on balances outstanding at year end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

#### Inventory

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

## Notes to Financial Statements

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

#### 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 ten years for furniture and equipment and seven to fifteen years for leasehold improvements. Depreciation expense for the years ended December 31, 2019 and 2018, was \$8,760 and \$8,739, 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.

#### 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.

## Notes to Financial Statements

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

#### Revenue from Contracts with Customers - continued

##### Membership registrations - continued

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 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.

## Notes to Financial Statements

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

#### Revenue from Contracts with Customers - continued

##### Publication income

The Corporation publishes a premier industry magazine four times per year and is mailed quarterly 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.

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.

## Notes to Financial Statements

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

#### Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the years ended December 31, 2019 and 2018.

#### 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, 2018, 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, 2019 and 2018, the Corporation's supporting service expenses amounted to 19.21% and 18.33%, respectively, of total support and revenue.

#### 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 November 19, 2020, the date that the financial statements were available to be issued.

## Notes to Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY

USA Water Ski & Wake Sports, Inc. 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 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, 2019 and 2018. 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 549,172	\$ 538,646
Short-term investments	298,617	261,027
Accounts receivable	<u>51,040</u>	<u>56,747</u>
Total financial assets	898,829	856,420
Less amounts with board restrictions (Note H)	(405,051)	(434,575)
Less amounts with donor restrictions - temporary (Note I)	<u>(28,955)</u>	<u>(21,386)</u>
Financial assets available within one year	<u>\$ 464,823</u>	<u>\$ 400,459</u>



## Notes to Financial Statements

### 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.

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. Transfers between levels are recorded at the end of the reporting period.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2019 and 2018:

	<u>Assets at Fair Value as of December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Common stock & ETFs	\$ 147,937	\$	\$	\$ 147,937
Mutual funds	17,777			17,777
Debt securities:				
Fixed income securities	105,560			105,560
Certificates of deposit	21,333			21,333
Money market	6,010			6,010
	<u>\$ 298,617</u>	<u>\$</u>	<u>\$</u>	<u>\$ 298,617</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

<u>Assets at Fair Value as of December 31, 2018</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Mutual funds	\$ 236,278	\$	\$	\$ 236,278
Debt securities:				
Certificates of deposit	<u>24,749</u>	<u>                    </u>	<u>                    </u>	<u>24,749</u>
	<u>\$ 261,027</u>	<u>\$</u>	<u>\$</u>	<u>\$ 261,027</u>

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 6,379	\$ 13,761
Unrealized gains (losses)	35,833	(30,846)
Realized gains	<u>(4,188)</u>	<u>5,954</u>
	<u>\$ 38,024</u>	<u>\$ (11,131)</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 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.

## Notes to Financial Statements

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

Early termination by either party will result in forfeiture of amounts related to the shared net proceeds. The Corporation fully intends to remain in the office space until at least December 31, 2020.

During the year ended December 31, 2018, the Corporation recognized their share of the net proceeds of \$145,000 as value-in-kind revenue. During the years ended December 31, 2019 and 2018, the Corporation recognized \$48,333 of in-kind occupancy expenses. As of the year ended December 31, 2019 and 2018, the Corporation has recognized \$48,334 and \$96,667 as prepaid 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Memberships	\$ 440,293	\$ 411,252
Sanction fees	54,745	62,055
Banquet tickets, magazine ads, miscellaneous	5,082	2,116
Sponsorship	3,000	3,000
Club additional insurance	50	3,200
	<u>\$ 503,170</u>	<u>\$ 481,623</u>

Deferred sanction fees represent amounts collected by USA Water Ski & Wake Sports, Inc. that are paid quarterly to the respective sport regions. This is deferred revenue of the sport regions.

### F. 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. The Corporation also leased a copier at a monthly rate of \$370 with an original expiration date of December 2020. Subsequent to the year ended December 31, 2019, the Corporation canceled these leases.

## Notes to Financial Statements

### F. LEASES

As explained in Note D, the Corporation subleases office space from the USA Water Ski & Wake Sports Foundation. No payments are required through December 31, 2020. Rental expenses under the leases for December 31, 2019 and 2018, were \$15,936.

Minimum future payments on these leases prior to cancelation are as follows:

2020	\$ 4,978
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### G. RETIREMENT PLAN

During the year ended December 31, 2009, the Corporation established a 401(k) profit sharing plan for its employees. Employees are eligible to participate if they are over the age of twenty-one 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, 2019 and 2018, amounted to \$10,122 and \$16,620, respectively.

### H. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

At December 31, 2019 and 2018, Net assets without donor restrictions - board designated consist of the following:

	<u>2019</u>	<u>2018</u>
Western region	\$ 65,896	\$ 76,056
Midwest region	78,633	74,955
American Water Ski Association	54,724	62,443
Southern region	40,112	51,493
Eastern region	39,961	46,717
American Barefoot Club	67,875	38,261
South Central region	30,055	37,919
Junior Development Fund	18,717	23,584
Adaptive Water Ski and Wake Sports	1,418	13,131
American Kneeboard Association	3,926	5,125
Wakeboard	<u>3,734</u>	<u>4,891</u>
	<u>\$ 405,051</u>	<u>\$ 434,575</u>

## Notes to Financial Statements

### I. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2019 and 2018, are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Teams-age specific	\$ 12,165	\$ 12,070
Teams-other	10,294	2,144
Physician	3,463	3,463
Elite Team	<u>3,033</u>	<u>3,709</u>
	<u>\$ 28,955</u>	<u>\$ 21,386</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2019 and 2018, net assets with donor restrictions were released for the following programs:

	<u>2019</u>	<u>2018</u>
Teams-other	\$ 6,314	\$ 12,785
Teams-age specific	4,789	7,750
Elite Team	1,520	4,480
Physician	<u>710</u>	<u>710</u>
	<u>\$ 12,623</u>	<u>\$ 25,725</u>

### 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 \$65,676 and \$68,436 during the years ended December 31, 2019 and 2018, respectively. The amount of revenue and expense for the regions and sports disciplines included in these financial statements have been eliminated.

### K. SUBSEQUENT EVENTS

Subsequent to year end, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 (coronavirus) outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, "shelter in place" and other governmental regulations and job losses. The extent to which the COVID-19 (coronavirus) outbreak will affect the operations, collections, or financial results of the Corporation is uncertain.

## Notes to Financial Statements

### K. SUBSEQUENT EVENTS - Continued

In April 2020, the Corporation received a \$95,500 loan through the Small Business Administration's Paycheck Protection Program. A portion or all of 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 ten months.