



USA WATER SKI & WAKE SPORTS, INC.

Financial Statements

For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Water Ski & Wake Sports, Inc.
Auburndale, 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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited USA Water Ski & Wake Sports, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
July 22, 2021

USA WATER SKI & WAKE SPORTS, INC.
Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 682,642	\$ 549,172
Short-term investments	443,627	298,617
Accounts receivable	47,854	51,040
Prepaid occupancy expenses		48,334
Prepaid expenses	3,797	18,808
Inventory		2,143
Other assets		<u>564</u>
Total current assets	<u>1,177,920</u>	<u>968,678</u>
PROPERTY AND EQUIPMENT, at cost:		
Computers and software	10,325	58,145
Furniture and equipment	5,550	182,189
Leasehold improvements		43,390
Less accumulated depreciation	<u>(12,713)</u>	<u>(276,512)</u>
Property and equipment - net	<u>3,162</u>	<u>7,212</u>
TOTAL ASSETS	<u>\$ 1,181,082</u>	<u>\$ 975,890</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 20,837	\$ 21,117
Accrued liabilities	40,121	57,119
Refundable advances	112,308	
Current portion of deferred revenue	<u>556,506</u>	<u>460,645</u>
Total current liabilities	729,772	538,881
LONG-TERM DEFERRED REVENUE	<u>43,214</u>	<u>42,525</u>
Total liabilities	772,986	581,406
NET ASSETS:		
Net assets without donor restrictions	(46,035)	(39,522)
Net assets without donor restrictions - board designated	418,093	405,051
Net assets with donor restrictions	<u>36,038</u>	<u>28,955</u>
Total net assets	<u>408,096</u>	<u>394,484</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,181,082</u>	<u>\$ 975,890</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, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
SUPPORT AND REVENUE:				
Membership registrations	\$ 712,499	\$	\$ 712,499	\$ 924,823
National and regional tournaments	191,171		191,171	284,565
Marketing and partnership	110,489		110,489	119,863
Publication income	81,154		81,154	107,099
Sport development	75,335		75,335	54,099
USOPC grants	66,207		66,207	
Event sanctioning income	56,184		56,184	113,108
Approved towboat testing	33,000		33,000	47,000
Merchandise sales	27,250		27,250	28,457
Contributions	16,010	7,083	23,093	115,671
Investment income, net	22,496		22,496	38,024
Special event revenue	13,581		13,581	8,562
Gain on disposal of assets	4,777		4,777	
Other income	4,044		4,044	11,992
	<u>1,414,197</u>	<u>7,083</u>	<u>1,421,280</u>	<u>1,853,263</u>
EXPENSES:				
Program services:				
Membership	454,123		454,123	565,713
Publication expense	159,106		159,106	232,926
National tournaments	136,955		136,955	185,304
Regional expense	103,240		103,240	121,755
Sport development	97,766		97,766	138,246
Sport discipline expense	42,775		42,775	199,992
Competitions	38,750		38,750	50,644
National teams	25,086		25,086	40,997
Towboat program	15,815		15,815	21,939
	<u>1,073,616</u>		<u>1,073,616</u>	<u>1,557,516</u>
Supporting services:				
General and administrative expense	225,028		225,028	230,702
Sponsorship development	109,024		109,024	139,642
	<u>334,052</u>		<u>334,052</u>	<u>370,344</u>
Total supporting services	<u>334,052</u>		<u>334,052</u>	<u>370,344</u>
Total expenses	<u>1,407,668</u>		<u>1,407,668</u>	<u>1,927,860</u>
CHANGE IN NET ASSETS	6,529	7,083	13,612	(74,597)
NET ASSETS, beginning of year	<u>365,529</u>	<u>28,955</u>	<u>394,484</u>	<u>469,081</u>
NET ASSETS, end of year	<u>\$ 372,058</u>	<u>\$ 36,038</u>	<u>\$ 408,096</u>	<u>\$ 394,484</u>

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Amounts for 2019)

	Membership	Publication	National Tournaments	Regional	Sport Development	Sport Discipline	Competitions	National Teams
Awards & scholarships	\$	\$	\$ 121	\$ 7,569	\$	\$ 8,745	\$	\$
Awards banquet			462					
AWSA admin fees			11,151					
Background screenings					2,063			
Bad debt expense								
Bank charges & credit card fees	8,226	4,828	1,734	391	3,022	702	2,018	777
Clinic, club & camp expenses				1,235	125			
Committees & meetings				16,156		1,579		
Computer supplies & service	893	524	188	981	328	5,090	219	84
Contributions				9,439		3,265		
Depreciation								
Dues & subscriptions	973	571	205		358		239	92
Employee benefits	7,344	4,311	1,549		2,698		1,802	693
Entry fees			74,752					
Equipment repair & vehicle expenses					2,100			
Exhibits			8,110					
Fundraising expense								
General event expenses			(860)	8,934		5,986		
Grassroots series					2,939			
Insurance	301,621	4,016	1,444		5,014	585	1,680	647
Junior team & development				46,663		12,422		
Magazine production		37,762						
Merchandise costs of sales								1,388
Miscellaneous expense	633	372	247	1,138	233	3,454	155	60
Occupancy expenses	14,425	8,467	3,042		5,298		3,540	1,362
Office supplies	444	260	94		163		109	42
Officials expenses			3,305	1,500				
Payroll taxes	7,092	4,162	1,496		2,605		1,740	670
Postage	930	7,504	196		341		228	88
Printing & duplication	214	125	45	4,254	78		52	20
Professional fees	9,797	5,750	2,066		3,598		2,404	925
Promotion & marketing	361	212	76		839		88	34
Regional expenses		20,507						
Retirement plan	2,323	1,364	490		853		570	219
Salaries	96,838	56,838	20,421		35,568		23,765	9,144
Shipping & fulfillment	1,074							
Sport discipline expense					29,332			
Taxes, licenses & permits	133	78	28		49	61	33	13
Team merchandise								8,786
Travel	802	1,455	93	4,980	162	886	108	42
TV production			6,500					
VIP reception expense								
	<u>\$ 454,123</u>	<u>\$ 159,106</u>	<u>\$ 136,955</u>	<u>\$ 103,240</u>	<u>\$ 97,766</u>	<u>\$ 42,775</u>	<u>\$ 38,750</u>	<u>\$ 25,086</u>

	Supporting Services						2020 Totals	2019 Totals
	Towboat Program	Program Services	General & Administrative	Sponsorship Development	Supporting Services			
Awards & scholarships	\$ 100	\$ 16,535	\$	\$	\$	\$ 16,535	\$ 19,978	
Awards banquet		462	15,443		15,443	15,905	15,009	
AWSA admin fees		11,151				11,151	14,238	
Background screenings		2,063				2,063	7,944	
Bad debt expense							5,000	
Bank charges & credit card fees	671	22,369	7,548	5,392	12,940	35,309	54,755	
Clinic, club & camp expenses		1,360				1,360	2,989	
Committees & meetings		17,735	677		677	18,412	22,176	
Computer supplies & service	73	8,380	48,779	586	49,365	57,745	47,140	
Contributions		12,704				12,704	6,816	
Depreciation			4,720		4,720	4,720	8,760	
Dues & subscriptions	79	2,517	894	638	1,532	4,049	3,091	
Employee benefits	599	18,996	6,739	4,815	11,554	30,550	42,213	
Entry fees		74,752				74,752	87,262	
Equipment repair & vehicle expenses		2,100	5,000		5,000	7,100	20,119	
Exhibits		8,110				8,110	11,417	
Fundraising expense							2,350	
General event expenses		14,060				14,060	118,541	
Grassroots series		2,939				2,939	6,066	
Insurance	558	315,565	6,279	4,486	10,765	326,330	382,767	
Junior team & development		59,085				59,085	105,089	
Magazine production		37,762				37,762	54,319	
Merchandise costs of sales		1,388				1,388	6,692	
Miscellaneous expense	309	6,601	3,279	415	3,694	10,295	16,843	
Occupancy expenses	1,176	37,310	13,237	9,457	22,694	60,004	65,248	
Office supplies	36	1,148	406	291	697	1,845	3,191	
Officials expenses		4,805				4,805	11,030	
Payroll taxes	578	18,343	6,508	4,649	11,157	29,500	33,996	
Postage	76	9,363	3,846	609	4,455	13,818	35,089	
Printing & duplication	17	4,805	198	140	338	5,143	10,837	
Professional fees	799	25,339	8,990	6,422	15,412	40,751	33,259	
Promotion & marketing	29	1,639	332	236	568	2,207	4,607	
Regional expenses		20,507				20,507	38,824	
Retirement plan	189	6,008	2,134	1,523	3,657	9,665	10,122	
Salaries	7,895	250,469	89,494	63,484	152,978	403,447	510,476	
Shipping & fulfillment		1,074		5,505	5,505	6,579	18,436	
Sport discipline expense		29,332				29,332	28,352	
Taxes, licenses & permits	11	406	121	87	208	614	1,258	
Team merchandise		8,786				8,786	14,855	
Travel	2,620	11,148	404	289	693	11,841	38,746	
TV production		6,500				6,500	7,560	
VIP reception expense							400	
	<u>\$ 15,815</u>	<u>\$ 1,073,616</u>	<u>\$ 225,028</u>	<u>\$ 109,024</u>	<u>\$ 334,052</u>	<u>\$ 1,407,668</u>	<u>\$ 1,927,860</u>	

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 13,612	\$ (74,597)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,720	8,760
Gain on disposal of assets	(4,777)	
Noncash prepaid occupancy expenses	48,333	48,333
Unrealized gain on investments	(14,256)	(35,833)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	2,690	5,707
Prepaid expenses	9,311	(3,206)
Inventory	2,143	8,829
Other assets	564	(564)
Increase (decrease) in liabilities:		
Accounts payable	(280)	11,759
Accrued liabilities	(16,998)	24,795
Refundable advances	112,308	
Deferred revenue	96,550	21,547
	240,308	90,127
Net cash provided by operating activities	253,920	15,530
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,146)	(3,247)
Proceeds from sale of equipment	11,450	
Change in investments, net	(130,754)	(1,757)
	(120,450)	(5,004)
Net cash used by investing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	133,470	10,526
CASH AND CASH EQUIVALENTS, beginning of year	549,172	538,646
CASH AND CASH EQUIVALENTS, end of year	\$ 682,642	\$ 549,172

See Notes to Financial Statements

USA WATER SKI & WAKE SPORTS, INC.
Notes to Financial Statements
For the Year Ended December 31, 2020

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 Wakeboard, and USA Adaptive Water Ski & Wake Sports. 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 \$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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

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

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 10 years for furniture and equipment and seven to 15 years for leasehold improvements. Depreciation expense for the years ended December 31, 2020 and 2019, was \$4,720 and \$8,760, 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.

Grants from the USOPC are considered contributions.

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".

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

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 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.

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. 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, 2020 and 2019.

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, 2019, 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, 2020 and 2019, the Corporation's supporting service expenses amounted to 23.50% and 19.98%, 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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates in Preparation of Financial Statements - Continued

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 July 22, 2021, 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 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, 2020 and 2019. 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 682,642	\$ 549,172
Short-term investments	443,627	298,617
Accounts receivable	<u>47,854</u>	<u>51,040</u>
Total financial assets	1,174,123	898,829
Less amounts with board restrictions (Note H)	(418,093)	(405,051)
Less amounts with donor restrictions - temporary (Note I)	<u>(36,038)</u>	<u>(28,955)</u>
Financial assets available within one year	<u>\$ 719,992</u>	<u>\$ 464,823</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, 2020 and 2019:

<u>Assets at Fair Value as of December 31, 2020</u>				
	<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:				
Certificates of deposit	21,375			21,375
Money market	47,527			47,527
	<u>\$ 443,627</u>	<u>\$</u>	<u>\$</u>	<u>\$ 443,627</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>

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 6,839	\$ 6,379
Unrealized gains	14,256	38,783
Realized gains (losses)	4,434	(4,188)
Investment fees	(3,033)	(2,950)
	<u>\$ 22,496</u>	<u>\$ 38,024</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.

Notes to Financial Statements

D. USA WATER SKI AND WAKE SPORTS FOUNDATION - Continued

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 each of the years ended December 31, 2020 and 2019, the Corporation recognized \$48,333 of in-kind occupancy expenses. As of the year ended December 31, 2020 and 2019, the Corporation has recognized \$0 and \$48,334 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Memberships	\$ 494,770	\$ 440,293
Sanction fees	79,859	54,745
Club insurance	25,091	50
Banquet tickets, magazine ads, miscellaneous		5,082
Sponsorship		3,000
	<u>\$ 599,720</u>	<u>\$ 503,170</u>

Notes to Financial Statements

E. DEFERRED REVENUE (Continued)

Deferred sanction fees represent 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

On April 27, 2020, the Corporation received a \$95,500 loan from First Home Bank through the Small Business Administration's Paycheck Protection Program (PPP). A portion or all of loan may be forgiven by the Small Business Administration if certain performance barriers are met related to payroll and funds are used for payroll, rent, mortgage interest, and/or utilities. Any portion of the loan that is not forgiven has a maturity of no less than two years and an interest rate of 1.0%. Subsequent to year end, this loan was forgiven in full, and the Corporation received a second PPP loan of \$95,500.

Also included in refundable advances is a portion of the grant from the USOPC due to the impact of COVID-19. The amount of the grant included in refundable advances at December 31, 2020 was \$16,808.

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 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, 2020 and 2019, amounted to \$9,665 and \$10,122, respectively.

Notes to Financial Statements

H. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

At December 31, 2020 and 2019, Net assets without donor restrictions - board designated consist of the following:

	<u>2020</u>	<u>2019</u>
American Water Ski Association	\$ 80,580	\$ 54,724
Midwest region	77,139	78,633
American Barefoot Club	68,099	67,875
Western region	64,029	65,896
Eastern region	43,126	39,961
South Central region	29,669	30,055
Southern region	29,406	40,112
Junior Development Fund	16,724	18,717
Wakeboard	4,542	3,734
American Kneeboard Association	3,756	3,926
Adaptive Water Ski and Wake Sports	<u>1,023</u>	<u>1,418</u>
	<u>\$ 418,093</u>	<u>\$ 405,051</u>

I. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2020 and 2019, are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Teams-age specific	\$ 22,068	\$ 12,165
Elite Team	6,431	3,033
Teams-other	4,076	10,294
Physician	<u>3,463</u>	<u>3,463</u>
	<u>\$ 36,038</u>	<u>\$ 28,955</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2020 and 2019, net assets with donor restrictions were released for the following programs:

	<u>2020</u>	<u>2019</u>
Teams-other	\$	\$ 6,314
Teams-age specific		4,789
Elite Team		<u>1,520</u>
	<u>\$</u>	<u>\$ 12,623</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 \$69,363 and \$65,676 during the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the USOPC provided grants to the Corporation of \$66,207 and \$0, respectively. The grants awarded during the year ended December 31, 2020, consisted of a special grant of \$50,000 for administration costs and a special grant of \$32,415 for costs due to the impact of the COVID-19 pandemic. Half of this grant is recorded as revenue during the year ended December 31, 2020 and the other half of the grant is included in refundable advances.

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 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. 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 subleases office space from the USA Water Ski & Wake Sports Foundation. No payments were required through December 31, 2020. Rental expenses under the leases for December 31, 2020 and 2019, were \$4,978 and \$15,936, respectively.

Notes to Financial Statements

M. UNCERTAINTIES

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