STOCKMAN KAST RYAN + COMPANY

USA SWIMMING FOUNDATION, INC.

Financial Statements

For The Year Ended December 31, 2022

And

Independent Auditors' Report

USA SWIMMING FOUNDATION, INC.

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STOCKMAN KAST RYAN + COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Swimming Foundation, Inc.

Opinion

We have audited the accompanying financial statements of USA Swimming Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 the Foundation as of December 31, 2022, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 these 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 the Foundation'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 the Foundation'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.

Prior Period Financial Statements and Summarized Comparative Information

The 2021 financial statements were audited by other auditors, and their report thereon, dated May 23, 2022 expressed an unmodified opinion. Our opinion is not modified with respect to this matter. The summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

June 28, 2023

USA SWIMMING FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,456,330	$ 1,565,291
Accounts receivable	231,964	168,716
Current portion of pledges receivable	941,174	830,000
Prepaid expenses	7,838	65,356
Total current assets	2,637,306	2,629,363
INVESTMENTS	16,462,974	20,022,280
LONG-TERM PLEDGES RECEIVABLE	608,804	905,418
INTANGIBLE ASSETS	120,000	120,000
TOTAL ASSETS	$ 19,829,084	$ 23,677,061
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 11,881	$ 3,182
Accrued liabilities	10,808	20,583
Due to USA Swimming, Inc.	60,339	125,526
Total current liabilities	83,028	149,291
DEFERRED REVENUE	50,900	
TOTAL LIABILITIES	133,928	149,291
NET ASSETS		
Without donor restrictions:		
Available for operations	270,418	509,570
Board designated — endowment	10,585,591	12,774,856
Board designated — reserves	1,201,000	1,201,000
Total net assets without donor restrictions	12,057,009	14,485,426
With donor restrictions	7,638,147	9,042,344
Total net assets	19,695,156	23,527,770
TOTAL LIABILITIES AND NET ASSETS	$ 19,829,084	$ 23,677,061

See notes to financial statements.

USA SWIMMING FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
REVENUE:				
Contributions - financial	$ 672,019	$ 1,155,000	$ 1,827,019	$ 2,083,036
Contributions - nonfinancial	564,216		564,216	666,447
Investment income (loss)	(1,931,861)	(1,101,446)	(3,033,307)	2,308,511
Sponsorship	619,799		619,799	551,516
Swim-A-Thon	232,707		232,707	48,410
Other income	2,106		2,106	37,776
Olympic Trials VIP packages				126,043
Satisfied program restrictions	1,457,751	(1,457,751)		
Total revenue	1,616,737	(1,404,197)	212,540	5,821,739
EXPENSES:				
Program services:				
Building Champions	1,602,055		1,602,055	1,300,892
Learn to Swim	1,354,913		1,354,913	974,317
Alumni and other	80,840		80,840	80,886
Total program services	3,037,808	—	3,037,808	2,356,095
Supporting services:				
Fundraising	501,079		501,079	636,578
General and administrative	505,224		505,224	397,930
Olympic Trials VIP packages	1,043		1,043	244,092
Total supporting services	1,007,346	—	1,007,346	1,278,600
Total expenses	4,045,154	—	4,045,154	3,634,695
CHANGE IN NET ASSETS	(2,428,417)	(1,404,197)	(3,832,614)	2,187,044
NET ASSETS, beginning of year	14,485,426	9,042,344	23,527,770	21,340,726
NET ASSETS, end of year	$ 12,057,009	$ 7,638,147	$ 19,695,156	$ 23,527,770

See notes to financial statements.

USA SWIMMING FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022									
	Program Services				Support Services					
	Building Champions	Learn to Swim	Alumni and Other	Program Services Total	Fundraising	General and Administrative	Olympic Trials VIP packages	Support Services Total	Total	2021 Total
Grants	$ 1,423,500	$ 910,155		$ 2,333,655	$ 59,651			$ 59,651	$ 2,393,306	$ 1,599,391
Salaries and benefits	41,258	114,377	$ 27,554	183,189	202,007	$ 191,068		393,075	576,264	658,941
Professional fees and honoraria	62,500	217,003	35,000	314,503	23,351	61,784		85,135	399,638	606,782
Management fee	18,171	18,171	11,707	48,049	55,807	96,144		151,951	200,000	200,000
Travel and hospitality	1,438	72,265	5,534	79,237	32,552	38,022		70,574	149,811	201,706
Recognition and fulfillment	55,000	1,815	979	57,794	46,398			46,398	104,192	70,374
Occupancy		2,174		2,174	7,150	79,107		86,257	88,431	72,380
Dues, fees and tickets	188	2,211	66	2,465	39,688	25,716	$ 1,043	66,447	68,912	127,538
Office supplies and expenses		1,808		1,808	21,023	2,582		23,605	25,413	35,209
Gear, equipment and signage		12,718		12,718	3,787	2,117		5,904	18,622	13,717
Printing		1,988		1,988	8,167			8,167	10,155	10,383
Advertising					450	5,587		6,037	6,037	450
Telephone and internet		40		40	1,048	2,339		3,387	3,427	4,028
Apparel		188		188		758		758	946	30,673
Graphics and artwork										3,123
Total expenses	$ 1,602,055	$ 1,354,913	$ 80,840	$ 3,037,808	$ 501,079	$ 505,224	$ 1,043	$ 1,007,346	$ 4,045,154	
Percentage	40%	33%	2%	75%	12%	12%	0%	25%	100%	
Total expenses — 2021	$ 1,300,892	$ 974,317	$ 80,886	$ 2,356,095	$ 636,578	$ 397,930	$ 244,092	$ 1,278,600		$ 3,634,695
Percentage — 2021	36%	27%	2%	65%	17%	11%	7%	35%		100%

See notes to financial statements.

USA SWIMMING FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ (3,832,614)	$ 2,187,044
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Uncollectable pledges	37,500	120,500
Net realized and unrealized (gain) loss on investments	3,413,247	(1,800,779)
Changes in operating assets and liabilities:		
Accounts receivable	(63,248)	(13,484)
Pledges receivable, net	117,940	(286,318)
Prepaid expenses	57,518	(15,869)
Accounts payable and accrued liabilities	(1,076)	7,378
Deferred revenue	50,900	(151,515)
Due to USA Swimming, Inc.	(65,187)	(943,393)
Net cash used in operating activities	(285,020)	(896,436)
INVESTING ACTIVITIES		
Purchases of investments	(10,068,085)	(9,549,010)
Proceeds from disposition of investments	10,214,144	9,570,048
Net cash provided by investing activities	146,059	21,038
FINANCING ACTIVITIES		
Net cash provided by financing activities — Collection of pledge receivable restricted for endowment	30,000	55,000
CHANGE IN CASH AND CASH EQUIVALENTS	(108,961)	(820,398)
CASH AND CASH EQUIVALENTS, Beginning of year	1,565,291	2,385,689
CASH AND CASH EQUIVALENTS, End of year	$ 1,456,330	$ 1,565,291

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — USA Swimming Foundation, Inc. (the Foundation) is a Colorado non-profit corporation established in 2004. The Foundation is organized to operate for charitable and educational purposes, to foster national and international amateur sports competitions, and to serve as a supporting organization of USA Swimming, Inc. (USA Swimming).

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations and distribution to USA Swimming at the discretion of the Board of Directors of the Foundation and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources for which use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Cash and Cash Equivalents — The Foundation considers all liquid investments with original maturities of three months or less, and which are not held for investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for investment purposes, regardless of original length to maturity, are reported as investments and excluded from this definition. The Foundation maintains its cash in various bank deposit accounts which at times may exceed federally insured limits.

Accounts Receivable — Accounts receivable are stated at unpaid balances. The Foundation considers its accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. The delinquency and collectability of receivables is determined on a case by case basis and receivables are charged to bad debt expense when determined to be uncollectible.

Pledges Receivable — Pledges receivable consist of unconditional promises to give that are expected to be collected in current and future periods. Pledges expected to be collected within one year are recorded at their estimated net realizable values. Pledges receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows, computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue. Pledges receivable are reported as donor restricted support unless the donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities in the current period.

Pledges receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. The delinquency and collectability of pledges receivable is determined on a case-by-case basis and pledges receivable are charged to uncollectible pledges when determined to be bad debts.

Intangible Assets — USA Swimming, Inc. sold the rights, title and interest in Swim- A-Thon to the Foundation for $120,000. This sale includes, but is not limited to, all goodwill and trademarks associated with Swim-A-Thon. The Foundation analyzes its indefinite-lived assets for impairment on an annual basis.

The Foundation has determined there was no impairment as of December 31, 2022 and 2021. Swim-A-Thon is a trademarked program that swim teams utilize as a fundraiser for their competitive programs and activities. Participant teams pay royalties to the Foundation to support its mission.

The Foundation receives a royalty and administrative fee from swim clubs for the use of the Swim-A-Thon trademark and prizes and administrative services provided by the Foundation. The fee is 5% of the funds raised by the Swim-A-Thon hosted by the swim club, and was received again starting in 2022 after not being assessed in 2020 and 2021 as a club relief effort by the Foundation during the pandemic. This revenue is recognized at the end of the Swim-A-Thon which is when all performance obligations are considered satisfied by the Foundation. The Foundation also receives royalties for use of its logo or trademark of Swim-A-Thon. The revenue is recognized upon receipt of the royalty.

Investments — Investments are reported at fair value. Realized and unrealized gains and losses are included as revenue without donor restrictions in the statements of activities. Donated investments are recorded at fair market value on the date of donation. See Note 5 for information on fair value measurements.

Revenue Recognition — Contributions are recognized as revenue when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor-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 net assets released from restrictions.

Sponsorships and other period related revenues are recognized in the period in which they relate.

The Foundation receives revenue from sales related to activities at the U.S. Olympic Team Trials (Trials) which typically occur a few months prior to the Summer Olympics. The sales include tickets to an alumni dinner and a VIP experience package including a variety of activities. The VIP experience package fee includes a contribution amount. The contribution is recognized upon receipt, all other amounts are recognized when the performance obligations are met.

Contributed Services — The Foundation receives a substantial amount of donated services in carrying out its programs. Contributed services are recognized if the services received create or enhance long lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2022 and 2021, the Foundation received from USA Swimming, Inc. contributed services in the amount of $268,740 and $348,806, respectively, which were recognized as an offsetting revenue and expense. The Foundation measured the services received at the cost recognized by USA Swimming, Inc. for the actual cost incurred for personnel providing those services.

Donated Materials — Donated materials are recorded as both revenue and expenditure in the accompanying statements of activities at their estimated values.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes — The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation. The Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

Changes in Accounting Principles — In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of operations and changes in net assets, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Reclassification — Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent Events — The Foundation has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated quasi-endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected grant commitment payments, which typically represents approximately 25% of the expected annual grant cash needs.

Additionally, in the event the need arises to utilize the Board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution.

The table below presents financial assets available for general expenditures within one year at December 31:

	2022	2021
Cash and cash equivalents	$ 1,456,330	$ 1,565,291
Pledges receivable	1,549,978	1,735,418
Accounts receivable	231,964	168,716
Investments	16,462,974	20,022,280
Total financial assets	19,701,246	23,491,705
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(1,183,199)	(1,504,215)
Restricted by donors with time restrictions	(585,000)	(385,000)
Restricted by donors for endowment	(5,869,948)	(7,153,129)
Total amounts unavailable for general expenditures within one year	(7,638,147)	(9,042,344)
Less amounts unavailable to management without Board's approval:		
Board designated	(11,786,591)	(13,975,856)
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 276,508	$ 473,505

3. FUNCTIONAL EXPENSE ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Foundation.

Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between various programs and support services on several bases and estimates. Grants are allocated to the programs benefited. Salary, benefits, contract labor and travel are allocated fully to the related program and on the basis of estimates of time and effort spent by personnel in the various program and supporting services. Other expenses such as professional fees, management fees and supplies have been allocated based on usage. Rent expenses have been allocated based on square footage.

4. PLEDGES RECEIVABLE

As of December 31, 2022 and 2021, the Foundation had pledges receivable of $1,549,978 and $1,735,418, respectively, representing unconditional promises to give made during the current and prior years.

Pledges receivable are expected to be collected as follows:

	2022	2021
Receivable within one year	$ 941,174	$ 830,000
Receivable in one to five years	608,804	905,418
Total	$ 1,549,978	$ 1,735,418

At December 31, 2022, two donors accounted for 34% of pledges receivable. As of December 31, 2021, one donor accounted for 23% of pledges receivable.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation is required to use 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Prices determined using significant unobservable inputs.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market funds, exchange traded funds and mutual funds **—** Valued at quoted market prices in active markets.

Fixed income securities **—** Valued at quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active, particularly dealer market prices for comparable investments as of the valuation date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Cash and money market funds	$ 291,889	$ 291,889		
Exchange traded funds:				
Domestic equity	9,591,642	9,591,642		
International equity	961,197	961,197		
Mutual funds:				
Fixed income	1,093,779	1,093,779		
International equity	1,046,318	1,046,318		
Fixed income securities:				
Agency	1,063,769		$ 1,063,769	
Corporate	1,026,057		1,026,057	
U.S. Treasury	750,994		750,994	
International	427,079		427,079	
State and municipal agencies	210,250		210,250	
Total	$ 16,462,974	$ 12,984,825	$ 3,478,149	$ —
2021				
Equity securities:				
Exchange traded funds	$ 9,013,258	$ 9,013,258		
Pooled equity funds	3,400,013	3,400,013		
Fixed income securities:				
Corporate	3,970,512		$ 3,970,512	
US Treasury	2,170,536		2,170,536	
State and municipal agencies	440,785		440,785	
International	256,345		256,345	
Cash and money market funds	770,831	770,831		
Total	$ 20,022,280	$ 13,184,102	$ 6,838,178	$ —

Net investment income (loss) was composed of the following for the years ended December 31:

	2022	2021
Net realized and unrealized gains (losses)	$ (3,413,247)	$ 1,800,779
Interest and dividends	422,221	554,956
Investment management and custodial fees	(42,281)	(47,224)
Investment income (loss), net	$ (3,033,307)	$ 2,308,511

6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, USA Swimming, Inc. provided in-kind support to the Foundation in the amounts of $268,740 and $348,806, respectively. During the years ended December 31, 2022 and 2021, the Foundation provided grants to USA Swimming, Inc. in the amounts of $1,155,000 and $1,116,433, respectively. The Foundation paid USA Swimming, Inc. office rent of $70,000 in both of the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the Foundation owed USA Swimming, Inc. $60,339 and $125,526, respectively.

The Foundation paid USA Swimming, Inc. a management fee of $200,000 for services provided by employees of USA Swimming, Inc. during the years ended December 31, 2022 and 2021. This fee agreement commenced in 2020 and was paid quarterly by the Foundation.

7. ENDOWMENT FUNDS

The Foundation's endowment funds include both donor restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The earnings of the donor restricted endowment support Learn to Swim, National Team initiatives, and the USA Swimming Dirks/Gould Coaches Incentive Program.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The act provides statutory guidance for management investment and expenditure of endowment funds held by not-for-profit organizations. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Foundation and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
2022:			
Donor-restricted endowment funds		$ 5,869,948	$ 5,869,948
Board-designated endowment funds	$ 10,585,591		10,585,591
Total funds	$ 10,585,591	$ 5,869,948	$ 16,455,539
2021:			
Donor-restricted endowment funds		$ 7,153,129	$ 7,153,129
Board-designated endowment funds	$ 12,774,856		12,774,856
Total funds	$ 12,774,856	$ 7,153,129	$ 19,927,985

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
2022:			
Endowment net assets, beginning of year	$ 12,774,856	$ 7,153,129	$ 19,927,985
Investment return, net	(1,920,765)	(1,088,181)	(3,008,946)
Appropriations	(478,500)	(282,500)	(761,000)
Contributions	210,000	87,500	297,500
Endowment net assets, end of year	$ 10,585,591	$ 5,869,948	$ 16,455,539
2021:			
Endowment net assets, beginning of year	$ 11,620,618	$ 6,536,858	$ 18,157,476
Investment return, net	1,453,165	820,021	2,273,186
Contributions	171,073	55,000	226,073
Appropriations	(470,000)	(258,750)	(728,750)
Endowment net assets, end of year	$ 12,774,856	$ 7,153,129	$ 19,927,985

	2022	2021
Net assets with donor restrictions		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 5,792,500	$ 5,705,000
Accumulated investment gains	77,448	1,448,129
Total	$ 5,869,948	$ 7,153,129

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration.

At December 31, 2022, funds with original gift values of $217,500, fair values of $203,973, and deficiencies of $13,527 were reported in net assets with donor restrictions.

During the year, the Foundation did not appropriate any expenditure from underwater endowments. Management expects these amounts to be fully recovered in future periods due to favorable market fluctuations. No such deficiencies existed as of December 31, 2021.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. Each year, the Foundation is required to spend no less than 3% and no more than 5% of the donor restricted endowment funds for specific purposes. The Foundation expects its endowment funds, over time, to provide a rate of return sufficient to keep pace with the rate of inflation. Actual returns in any given year may vary from this amount.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2022	**2021**
Purpose restricted	$ 1,183,199	$ 1,504,215
Time restricted	585,000	385,000
Total	1,768,199	1,889,215
Endowment funds	5,869,948	7,153,129
Total net assets with donor restrictions	$ 7,638,147	$ 9,042,344

9. AFFILIATION

During the year ended December 31, 2021, the USA Swimming Foundation and U.S. Masters Swimming formed a philanthropic partnership to create greater support for adult learn-to-swim efforts. The partnership shall continue through December 31, 2028.

This partnership brings learn-to-swim fundraising efforts for these two organizations under the USA Swimming Foundation umbrella creating a greater generational impact by providing swim lessons to people of all ages.

10. CONTRIBUTIONS — NONFINANCIAL ASSETS

Contributions of nonfinancial assets consist of the following for the years ended December 31:

	Revenue Recognized	Utilization in Programs / Activities	Donor Restriction	Valuation Techniques / Inputs
2022:				
USA Swimming, Inc. support services	$ 268,740	Operations	None	Fair market value
Auction donations	295,476	Fundraising	None	Fair market value
Total	$ 564,216			
2021:				
USA Swimming, Inc. support services	$ 348,806	Operations	None	Fair market value
Auction donations	317,641	Fundraising	None	Fair market value
Total	$ 666,447			