



USA SWIMMING FOUNDATION, INC.

Financial Statements

For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Swimming Foundation, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Swimming Foundation, Inc. (a nonprofit corporation), 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 of 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 Swimming Foundation, 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 Swimming Foundation, Inc.'s financial statements, and we expressed an unmodified opinion on those statements in our report dated April 18, 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 Swimming Foundation, 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
April 17, 2020

USA SWIMMING FOUNDATION, INC.
Statement of Financial Position
December 31, 2019
(With Comparative Amounts for 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,481,837	\$ 364,510
Short-term investments		999,239
Accounts receivable	90,808	102,001
Pledges receivable	871,999	796,066
Prepaid expenses	<u>11,737</u>	<u>10,881</u>
Total current assets	2,456,381	2,272,697
LONG-TERM INVESTMENTS	19,582,216	15,411,518
LONG-TERM PLEDGES RECEIVABLE - net	1,052,500	2,490,000
PROPERTY AND EQUIPMENT, at cost:		
Equipment and software	229,963	229,963
Less accumulated depreciation	<u>(227,375)</u>	<u>(217,020)</u>
Property and equipment - net	2,588	12,943
OTHER ASSETS:		
Swim-A-Thon	<u>120,000</u>	<u>120,000</u>
TOTAL ASSETS	<u>\$ 23,213,685</u>	<u>\$ 20,307,158</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 10,976	\$ 31,196
Accrued liabilities	41,645	73,916
Deferred revenue	17,500	
Due to USA Swimming, Inc.	<u>99,871</u>	<u>86,561</u>
Total current liabilities	169,992	191,673
NONCURRENT DEFERRED REVENUE	<u>118,240</u>	
TOTAL LIABILITIES	288,232	191,673
NET ASSETS:		
Without donor restrictions	26,974	(19,604)
Without donor restrictions - board designated	14,901,689	13,270,287
With donor restrictions	<u>7,996,790</u>	<u>6,864,802</u>
Total net assets	<u>22,925,453</u>	<u>20,115,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,213,685</u>	<u>\$ 20,307,158</u>

See Notes to Financial Statements

USA SWIMMING FOUNDATION, 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
REVENUE:				
Investment income (loss)	\$ 2,256,497	\$ 681,816	\$ 2,938,313	\$ (852,584)
Contributions	1,108,766	1,603,010	2,711,776	1,819,550
Sponsorship	702,500		702,500	480,000
USA Swimming support	449,414		449,414	996,997
Swim-A-Thon	358,711		358,711	361,920
Golden Goggles proceeds	50,000		50,000	100,000
Other income	21,183		21,183	37,826
Royalties	4,242		4,242	
Satisfied program restrictions	<u>1,152,838</u>	<u>(1,152,838)</u>		
Total revenue	6,104,151	1,131,988	7,236,139	2,943,709
EXPENSES:				
Program services:				
Make A Splash	1,538,799		1,538,799	1,626,759
Building Champions	1,321,643		1,321,643	1,048,353
Alumni and other	<u>152,052</u>		<u>152,052</u>	<u>96,741</u>
Total program services	3,012,494		3,012,494	2,771,853
Supporting services:				
Fundraising	958,103		958,103	975,979
General and administrative	<u>455,574</u>		<u>455,574</u>	<u>481,359</u>
Total supporting services	<u>1,413,677</u>		<u>1,413,677</u>	<u>1,457,338</u>
Total expenses	<u>4,426,171</u>		<u>4,426,171</u>	<u>4,229,191</u>
CHANGE IN NET ASSETS	1,677,980	1,131,988	2,809,968	(1,285,482)
NET ASSETS, beginning of year	<u>13,250,683</u>	<u>6,864,802</u>	<u>20,115,485</u>	<u>21,400,967</u>
NET ASSETS, end of year	<u>\$ 14,928,663</u>	<u>\$ 7,996,790</u>	<u>\$ 22,925,453</u>	<u>\$ 20,115,485</u>

See Notes to Financial Statements

USA SWIMMING FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services				Supporting Services		2019 Totals	2018 Totals
	Make A Splash	Building Champions	Alumni and Other	Total Program Services	Fundraising	General & Administrative		
Advertising	\$ 1,568	\$	\$	\$ 1,568	\$	\$	\$ 1,568	\$ 1,360
Apparel	4,086		15	4,101	9,856	4,795	18,752	34,359
Awards and gifts	729			729	28,921	84	29,734	22,846
Catering and entertainment	9,376		1,926	11,302	21,236	2,918	35,456	42,551
Credit card fees					19,071		19,071	17,935
Depreciation						10,354	10,354	45,333
Dues and fees	898		4	902	7,084	23,606	31,592	50,532
Equipment and space rental	9,989		1,011	11,000	933	1,918	13,851	16,613
Freight and postage	13,152		108	13,260	43,037	1,765	58,062	78,846
Grants	608,555	1,133,750	25,000	1,767,305			1,767,305	1,605,191
Graphics and artwork	2,490			2,490	1,365	215	4,070	2,670
Miscellaneous						4,191	4,191	6,187
Office supplies and expenses	2,476			2,476	4,291	2,123	8,890	16,252
Printing and duplication	4,858			4,858	87,222	3,933	96,013	108,287
Professional fees	298,969	52,500	38,084	389,553	32,867	45,354	467,774	455,748
Recognition and fulfillment	20,519			20,519	26,400	10,386	57,305	92,558
Rent						60,000	60,000	60,000
Repairs and equipment	12,316			12,316		767	13,083	24,650
Salaries and benefits	465,539	135,014	79,894	680,447	560,890	256,512	1,497,849	1,295,004
Silent auction cost of sales					87,145		87,145	80,791
Telephone and internet	3,487		3	3,490	2,270	1,893	7,653	9,207
Travel	75,292	379	5,607	81,278	105,572	24,760	211,610	211,879
Video and photography	3,000		400	3,400	7,088		10,488	31,183
Website	1,500			1,500			1,500	
Total expenses by function	1,538,799	1,321,643	152,052	3,012,494	1,045,248	455,574	4,513,316	4,309,982
Less expenses included with revenues on the statement of activities:								
Silent auction cost of sales					(87,145)		(87,145)	(80,791)
Total expenses on the statement of activities:	\$ 1,538,799	\$ 1,321,643	\$ 152,052	\$ 3,012,494	\$ 958,103	\$ 455,574	\$ 4,426,171	\$ 4,229,191

See Notes to Financial Statements

USA SWIMMING FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Amounts for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,809,968	\$ (1,285,482)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,354	45,333
Net realized and unrealized (gains) losses on investments	(2,476,489)	1,241,038
Decrease (increase) in operating assets:		
Accounts receivable	11,193	9,850
Pledges receivable	1,361,567	456,274
Due from USA Swimming, Inc.		31,437
Prepaid expenses	(856)	10,959
Increase (decrease) in operating liabilities:		
Accounts payable	(20,220)	838
Accrued liabilities	(32,271)	14,335
Deferred revenue	135,740	(12,417)
Due to USA Swimming, Inc.	<u>13,310</u>	<u>86,561</u>
Total adjustments	<u>(997,672)</u>	<u>1,884,208</u>
Net cash provided by operating activities	1,812,296	598,726
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments, net	999,239	200,867
Purchase of long-term investments	(9,277,167)	(11,748,967)
Proceeds from long-term investments	<u>7,582,959</u>	<u>10,647,249</u>
Net cash used by investing activities	<u>(694,969)</u>	<u>(900,851)</u>
NET INCREASE (DECREASE) IN CASH	1,117,327	(302,125)
CASH AND CASH EQUIVALENTS, beginning of year	<u>364,510</u>	<u>666,635</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,481,837</u>	<u>\$ 364,510</u>

See Notes to Financial Statements

USA SWIMMING FOUNDATION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The USA Swimming Foundation, Inc. (a nonprofit corporation) was incorporated on January 12, 2004. The purpose of the Foundation is to operate for charitable and educational purposes, to foster national or international amateur sports competition, and to serve as a supporting organization for USA Swimming, Inc.

Accounting Standards Update

On January 1, 2019, the Foundation 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 Foundation also adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (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*. 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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

Income Tax

The Foundation 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. Accordingly, no income tax provision has been recorded.

The Foundation'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 filed. Management of the Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Foundation's checking and money market accounts. 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 long-term investment purposes, regardless of original length to maturity, are reported as investments and excluded from this definition. The Foundation maintains its cash and cash equivalents at a commercial bank. In the event of a bank failure, the Foundation might only be able to recover the amounts insured.

Accounts Receivable

Accounts receivable include amounts from contracts with customers, contributions postmarked before the end of the year and other miscellaneous amounts. Receivables from contracts with customers at the beginning and end of 2019 were \$42,770 and \$36,381, respectively.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Supplemental Cash Flow Disclosure

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

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.

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 without donor restrictions if the restriction is met in the same year that the gift is received.

Contributions include the USA Swimming, Inc. support and Golden Goggles proceeds received from USA Swimming, Inc.

Contributed Services

The Foundation receives a substantial amount of donated services in carrying out their programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 605.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Materials

Donated materials are recorded as both a revenue and expenditure in the accompanying statement of activities at their estimated values.

Revenue from Contracts with Customers

Sponsorship - The Foundation recognizes revenue from contracts with both sponsors and suppliers of USA Swimming, Inc. and USA Swimming Foundation, Inc. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Foundation will recognize revenue over time. The Foundation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the agreement.

Therefore, sponsorship revenue from contracts with customers will be recognized on a straight-line basis over the term of the agreement.

Swim-A-Thon and royalties - 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 variable and is 5% of the funds raised by the Swim-A-Thon hosted by the swim club. The revenue is recognized at the end of the Swim-A-Thon which is when all performance obligations are 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.

Events - The Foundation receives revenue from sales related to activities at the U.S. Olympic Team Trials (Trials) which occurs a few months prior to the Summer Olympics. The sales include tickets to the trials, 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 at Trials. The Trials were not held in 2019, therefore no revenues were recognized from sales.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Some of the expenses which are allocated include utilities and depreciation, which are allocated on a square footage basis, as well as salaries, which are allocated on the basis of time and effort estimates.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Prior-Year Comparisons

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

Date of Management's Review

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 17, 2020, the date that the financial statements were available to be issued.

Notes to Financial Statements

B. 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's Executive Management and applicable organizational staff meet regularly to review and approve grant requests which are then approved by the Board of Directors at least annually. 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

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,481,837	\$ 364,510
Contributions receivable	1,924,499	3,286,066
Other receivables	90,808	102,001
Short-term investments	<u> </u>	<u>999,239</u>
Total financial assets	3,497,144	4,751,816
Less amounts not available to be used within one year:		
Contribution receivable - for restricted gifts, net	871,999	796,066
Contribution receivable - due over one year, net	<u>1,052,500</u>	<u>2,490,000</u>
Financial assets not available to be used within one year	<u>1,924,499</u>	<u>3,286,066</u>
Financial assets available within one year	<u>\$ 1,572,645</u>	<u>\$ 1,465,750</u>

C. FAIR VALUE MEASUREMENTS

The Foundation 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).

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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 Foundation 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 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 period.

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

Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Equity securities:				
Mutual funds	\$ 3,908,623	\$	\$	\$ 3,908,623
Exchange traded funds	7,805,397			7,805,397
Debt securities:				
US Treasury and				
Federal agencies		3,057,169		3,057,169
State and municipal				
agencies		439,449		439,449
Corporate		3,880,824		3,880,824
International		193,080		193,080
Money market	297,674			297,674
	<u>\$ 12,011,694</u>	<u>\$ 7,570,522</u>	<u>\$</u>	<u>\$ 19,582,216</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	\$ 3,607,273	\$	\$	\$ 3,607,273
Exchange traded funds	5,306,502			5,306,502
Debt securities:				
US Treasury and				
Federal agencies		2,280,546		2,280,546
State and municipal				
agencies		325,657		325,657
Corporate		4,581,792		4,581,792
International		218,186		218,186
Money market	90,801			90,801
	<u>\$ 9,004,576</u>	<u>\$ 7,406,181</u>	<u>\$</u>	<u>\$ 16,410,757</u>

D. INVESTMENT INCOME

Investment income consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 505,128	\$ 428,954
Net realized and unrealized gains		
(losses)	2,476,489	(1,241,038)
Investment fees	(43,304)	(40,500)
	<u>\$ 2,938,313</u>	<u>\$ (852,584)</u>

E. PLEDGES RECEIVABLE

As of December 31, 2019 and 2018, the Foundation had pledges receivable of \$1,924,499 and \$3,286,066, respectively, representing unconditional promises to give made during the current and prior years. The pledges will be received by the Foundation in future years and have been discounted using the risk-free interest rate for the year in which they were received. The interest rates used range from .11% to 2.69%.

Total pledges receivable at December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Short-term pledges receivable	<u>\$ 871,999</u>	<u>\$ 796,066</u>
Long-term pledges receivable	<u>\$ 1,052,500</u>	<u>\$ 2,490,000</u>

Notes to Financial Statements

E. PLEDGES RECEIVABLE - Continued

At December 31, 2019 and 2018, one and two donors account for 42% and 70% of the pledges receivable, respectively.

F. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or if donated, at estimated fair market value at the date the gift was received. Acquisitions in excess of \$1,000 are capitalized. The cost of repairs and maintenance, which do not materially prolong the useful lives of the assets, are charged to expense when incurred.

Depreciation is computed using the straight-line method over an estimated useful life of 3 - 10 years.

Depreciation expense for the years ended December 31, 2019 and 2018, was \$10,354 and \$45,333, respectively.

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Software	\$ 192,813	\$ 192,813
Website	31,063	31,063
Equipment	6,087	6,087
Less: accumulated depreciation and amortization	<u>(227,375)</u>	<u>(217,020)</u>
	<u>\$ 2,588</u>	<u>\$ 12,943</u>

G. OTHER ASSETS

USA Swimming, Inc. sold the rights, title and interest in Swim-A-Thon to USA Swimming Foundation, Inc. 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, 2019 and 2018. 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.

Notes to Financial Statements

H. DEFERRED REVENUE

Deferred revenue, which represents contract liabilities for contracts with customers, consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Current:		
Sponsorship	\$ 15,000	\$
Other	<u>2,500</u>	<u> </u>
Total current	17,500	
Noncurrent:		
Olympic Trials tickets and packages	<u>118,240</u>	<u> </u>
Total deferred revenue	<u>\$ 135,740</u>	<u>\$</u>

I. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, USA Swimming, Inc. provided support to the Foundation in the amounts of \$449,414 and \$996,997, respectively. During the years ended December 31, 2019 and 2018, the Foundation provided grants to USA Swimming, Inc. in the amounts of \$1,158,750 and \$903,600, respectively. The Foundation paid USA Swimming, Inc. office rent of \$60,000 in 2019 and 2018. At December 31, 2019 and 2018, USA Swimming Foundation, Inc. owed USA Swimming, Inc. \$99,871 and \$86,561, respectively.

During the years ended December 31, 2019 and 2018, the Foundation received proceeds of \$50,000 and \$100,000, respectively, from the Golden Goggle Awards fundraising event which is conducted by USA Swimming, Inc. with the assistance of the Foundation.

Notes to Financial Statements

J. NET ASSETS WITH DONOR RESTRICTIONS: TEMPORARY IN NATURE

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Purpose restrictions	\$ 1,537,290	\$ 551,073
Time restrictions	<u>809,500</u>	<u>759,500</u>
	<u>\$ 2,346,790</u>	<u>\$ 1,310,573</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. Net assets were released from temporary restrictions by satisfying the following restricted purposes at December 31:

	<u>2019</u>	<u>2018</u>
National Team	\$ 415,625	\$ 148,750
Time restrictions	370,000	665,500
Make A Splash	367,213	152,516
Golden Goggles	<u>50,000</u>	<u>50,000</u>
	<u>\$ 1,152,838</u>	<u>\$ 1,016,766</u>

K. NET ASSETS WITH DONOR RESTRICTIONS: PERPETUAL IN NATURE

During the years ended December 31, 2008, 2016 and 2017, the Foundation received perpetually restricted pledges of \$5,000,000, \$50,000, and \$600,000, respectively. Funds collected under the pledges are recognized as endowment funds. During the years ended December 31, 2019 and 2018, the Foundation did not recognize any perpetually restricted contributions. The Foundation only recognizes contributions received as endowment funds. During the years ended December 31, 2019 and 2018, the Foundation received perpetually restricted contributions of \$2,150,000 and \$400,000, respectively, which were recognized as endowment funds.

Notes to Financial Statements

L. ENDOWMENTS - Continued

Perpetually restricted net assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Endowment funds	\$ 5,500,000	\$ 3,254,229
Pledges receivable	<u>150,000</u>	<u>2,300,000</u>
	<u>\$ 5,650,000</u>	<u>\$ 5,554,229</u>

The Foundation's endowment funds consist of funds without donor restrictions functioning as endowment through designations by the Board and donor restricted endowment funds. The earnings of the Board-designated endowment are designated for athlete support. The earnings of the donor restricted endowment support Make a Splash and the USA Swimming Dirks/Gould Coaches Incentive Program.

The Foundation has adopted investment and spending policies based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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 net assets with donor restrictions - perpetual in nature (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in net assets with donor restrictions - perpetual in nature is classified as net assets with donor restrictions - temporary in nature until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 does not include uncollected pledges receivable as part of endowment net assets. Amounts are included with endowment net assets as the pledges receivable are collected. As of December 31, 2019 and 2018, perpetually restricted uncollected pledges were \$150,000 and \$2,300,000, respectively.

Notes to Financial Statements

L. ENDOWMENTS - Continued

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, January 1, 2018	\$ 12,377,495	\$ 3,212,168
Investment return:		
Investment income	274,711	76,462
Net appreciation (net realized and unrealized)	<u>(954,395)</u>	<u>(266,901)</u>
Total investment return	(679,684)	(190,439)
Contributions	905,076	400,000
Expenditures	<u>(533,600)</u>	<u>(167,500)</u>
Endowment net assets, December 31, 2018	12,069,287	3,254,229
Investment return:		
Investment income	331,547	55,089
Net appreciation (net realized and unrealized)	<u>1,899,855</u>	<u>315,682</u>
Total investment return	2,231,402	370,771
Contributions		2,150,000
Expenditures	<u>(600,000)</u>	<u>(275,000)</u>
Endowment net assets, December 31, 2019	<u>\$ 13,700,689</u>	<u>\$ 5,500,000</u>

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. During the year ended There were no deficiencies present as of December 31, 2019. At December 31, 2018, deficiencies of this nature existed in four donor-restricted endowment funds, which together had an original gift value of \$5,650,000, a current fair value of \$5,554,229, and a deficiency of \$95,771 as of December 31, 2018.

Notes to Financial Statements

L. ENDOWMENTS - Continued

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. 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.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

M. SUBSEQUENT EVENT

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 decline in global financial markets, temporary closures of many businesses, suspension or cancelation of sporting events, "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 Foundation is uncertain.