



**USA SWIMMING FOUNDATION, INC.**

**Financial Statements**

**For the Year Ended December 31, 2018**



## TABLE OF CONTENTS

Independent Auditor's Report . . . . .	1
Statement of Financial Position . . . . .	3
Statement of Activities and Changes in Net Assets . . . . .	4
Statement of Functional Expenses. . . . .	5
Statement of Cash Flows . . . . .	6
Notes to Financial Statements . . . . .	7



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, 2018, 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, 2018, 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 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 2018, USA Swimming Foundation, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

***Waugh & Goodwin, LLP***

Colorado Springs, Colorado  
April 18, 2019



USA SWIMMING FOUNDATION, INC.  
Statement of Financial Position  
December 31, 2018  
(With Comparative Amounts for 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 364,510	\$ 666,635
Short-term investments	999,239	1,200,106
Accounts receivable	102,001	111,851
Pledges receivable	796,066	1,061,715
Due from USA Swimming, Inc.		31,437
Prepaid expenses	10,881	21,840
Total current assets	2,272,697	3,093,584
LONG-TERM INVESTMENTS	15,411,518	15,550,838
LONG-TERM PLEDGES RECEIVABLE - net	2,490,000	2,680,625
PROPERTY AND EQUIPMENT, at cost:		
Equipment and software	229,963	229,963
Less accumulated depreciation	(217,020)	(171,687)
Property and equipment - net	12,943	58,276
OTHER ASSETS:		
Swim-A-Thon	120,000	120,000
TOTAL ASSETS	<u>\$ 20,307,158</u>	<u>\$ 21,503,323</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 31,196	\$ 30,358
Accrued liabilities	73,916	59,581
Deferred revenue		12,417
Due to USA Swimming, Inc.	86,561	
Total current liabilities	191,673	102,356
NET ASSETS:		
Without donor restrictions	(19,604)	869,877
Without donor restrictions - Board designated	13,270,287	13,457,745
With donor restrictions	6,864,802	7,073,345
Total net assets	20,115,485	21,400,967
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,307,158</u>	<u>\$ 21,503,323</u>

See Notes to Financial Statements



USA SWIMMING FOUNDATION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Totals	2017 Totals
REVENUE:				
Contributions	\$ 816,369	\$ 1,003,181	\$ 1,819,550	\$ 2,157,891
USA Swimming support	996,997		996,997	1,525,371
Sponsorship	480,000		480,000	521,089
Swim-A-Thon	361,920		361,920	355,405
Golden Goggles proceeds	100,000		100,000	100,000
Other income	37,826		37,826	78,907
Investment income (loss)	(657,626)	(194,958)	(852,584)	1,976,132
Satisfied program restrictions	<u>1,016,766</u>	<u>(1,016,766)</u>		
Total revenue	3,152,252	(208,543)	2,943,709	6,714,795
EXPENSES:				
Program services:				
Make A Splash	1,626,759		1,626,759	1,365,027
Building Champions	1,048,353		1,048,353	825,658
Alumni programs	<u>96,741</u>		<u>96,741</u>	<u>91,655</u>
Total program services	2,771,853		2,771,853	2,282,340
Supporting services:				
Fundraising	975,979		975,979	973,256
General and administrative	<u>481,359</u>		<u>481,359</u>	<u>380,405</u>
Total supporting services	<u>1,457,338</u>		<u>1,457,338</u>	<u>1,353,661</u>
Total expenses	<u>4,229,191</u>		<u>4,229,191</u>	<u>3,636,001</u>
CHANGE IN NET ASSETS	(1,076,939)	(208,543)	(1,285,482)	3,078,794
NET ASSETS, beginning of year	<u>14,327,622</u>	<u>7,073,345</u>	<u>21,400,967</u>	<u>18,322,173</u>
NET ASSETS, end of year	<u>\$ 13,250,683</u>	<u>\$ 6,864,802</u>	<u>\$ 20,115,485</u>	<u>\$ 21,400,967</u>

See Notes to Financial Statements



USA SWIMMING FOUNDATION, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Program Services			Supporting Services		2018	2017
	Make A Splash	Building Champions	Alumni Programs	Fundraising	General & Administrative	Totals	Totals
Advertising	\$ 1,360	\$	\$	\$	\$	\$ 1,360	\$ 3,310
Apparel	1,638		100	25,254	7,367	34,359	45,474
Awards and gifts	784			21,500	562	22,846	39,562
Catering and entertainment	9,080		1,215	25,505	6,751	42,551	38,605
Credit card fees	25			17,910		17,935	17,631
Depreciation				34,979	10,354	45,333	57,063
Dues and fees	19,858			1,149	29,525	50,532	18,776
Equipment and space rental	7,779			3,412	5,422	16,613	16,973
Freight and postage	19,690	12	199	57,400	1,545	78,846	65,105
Grants	701,591	903,600				1,605,191	1,227,237
Graphics and artwork	1,225			1,245	200	2,670	2,159
Miscellaneous	99			477	5,611	6,187	99
Office supplies and expenses	4,955			5,004	6,293	16,252	12,448
Printing and duplication	4,431			101,317	2,539	108,287	96,527
Professional fees	302,975	45,000	35,000	37,894	34,879	455,748	477,945
Recognition and fulfillment	32,669		672	41,167	18,050	92,558	59,817
Rent					60,000	60,000	60,000
Repairs and equipment	23,977		380	293		24,650	10,220
Salaries and benefits	367,239	99,741	56,000	505,994	266,030	1,295,004	1,177,897
Telephone and internet	2,816			2,498	3,893	9,207	8,225
Travel	95,520		3,175	91,681	21,503	211,879	178,428
Video and photography	29,048			1,300	835	31,183	22,341
Website							159
	<u>\$ 1,626,759</u>	<u>\$ 1,048,353</u>	<u>\$ 96,741</u>	<u>\$ 975,979</u>	<u>\$ 481,359</u>	<u>\$ 4,229,191</u>	<u>\$ 3,636,001</u>

See Notes to Financial Statements



USA SWIMMING FOUNDATION, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Amounts for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,285,482)	\$ 3,078,794
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,333	57,063
Net realized and unrealized (gains) losses on investments	1,241,038	(1,653,557)
Decrease (increase) in operating assets:		
Accounts receivable	9,850	20,263
Pledges receivable	456,274	(52,945)
Due from USA Swimming, Inc.	31,437	(31,437)
Prepaid expenses	10,959	(13,077)
Increase (decrease) in operating liabilities:		
Accounts payable	838	(57,838)
Accrued liabilities	14,335	6,317
Deferred revenue	(12,417)	9,917
Due to USA Swimming, Inc.	86,561	(42,912)
Contributions restricted for long-term investments		<u>(400,000)</u>
Total adjustments	<u>1,884,208</u>	<u>(2,158,206)</u>
Net cash provided by operating activities	598,726	920,588
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(16,190)
Short-term investments, net	200,867	(1,200,106)
Purchase of long-term investments	(11,748,967)	(10,582,271)
Proceeds from long-term investments	<u>10,647,249</u>	<u>9,136,940</u>
Net cash used by investing activities	(900,851)	(2,661,627)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of pledges receivable restricted for endowment		<u>400,000</u>
Net cash provided by financing activities		<u>400,000</u>
NET DECREASE IN CASH	(302,125)	(1,341,039)
CASH AND CASH EQUIVALENTS, beginning of year	<u>666,635</u>	<u>2,007,674</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 364,510</u>	<u>\$ 666,635</u>

See Notes to Financial Statements



USA SWIMMING FOUNDATION, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2018

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 August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).



## Notes to Financial Statements

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

#### Accounting Standards Update - continued

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 14,327,622	\$
Temporarily restricted net assets	1,423,345	
Permanently restricted net assets	5,650,000	
Net assets without donor restrictions		14,327,622
Net assets with donor restrictions		<u>7,073,345</u>
Total net assets	<u>\$ 21,400,967</u>	<u>\$ 21,400,967</u>

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.

#### 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



## Notes to Financial Statements

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

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

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.

#### Supplemental Cash Flow Disclosure

The Foundation paid no interest or income taxes during either of the years ended December 31, 2018 and 2017.

#### 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.

#### Revenue Recognition

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.



## Notes to Financial Statements

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

Sponsorship and other related revenues are recognized in the period in which they are earned.

#### 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.

#### Donated Materials

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

#### 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, 2017, from which the summarized information was derived.



## Notes to Financial Statements

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

#### Date of Management's Review

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 18, 2019, the date that the financial statements were available to be issued.

### 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



## Notes to Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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 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>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 364,510	\$ 666,635
Contributions receivable	3,286,066	3,742,340
Other receivables	102,001	111,851
Short-term investments	<u>999,239</u>	<u>1,200,106</u>
Total financial assets	4,751,816	5,720,932
Less amounts not available to be used within one year:		
Contribution receivable - for		
for restricted gifts, net	796,066	1,061,715
Contribution receivable - due		
after one year, net	<u>2,490,000</u>	<u>2,680,625</u>
Financial assets not available to be used within one year	<u>3,286,066</u>	<u>3,742,340</u>
Financial assets available within one year	<u>\$ 1,465,750</u>	<u>\$ 1,978,592</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, 2018 and 2017:

<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>
Mutual funds	\$ 3,607,273	\$	\$	\$ 3,607,273
Exchange traded funds	5,306,502			5,306,502
Fixed income 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	<u>90,801</u>	<u></u>	<u></u>	<u>90,801</u>
	<u>\$ 11,285,122</u>	<u>\$ 5,125,635</u>	<u>\$</u>	<u>\$ 16,410,757</u>



## Notes to Financial Statements

### C. FAIR VALUE MEASUREMENTS - Continued

<u>Assets at Fair Value as of December 31, 2017</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 3,689,550	\$	\$	\$ 3,689,550
Exchange traded funds	5,854,357			5,854,357
Fixed income securities:				
US Treasury and Federal agencies	2,451,446			2,451,446
State and municipal agencies		386,075		386,075
Corporate		3,964,026		3,964,026
International		224,441		224,441
Money market	<u>181,049</u>	<u></u>	<u></u>	<u>181,049</u>
	<u>\$ 12,176,402</u>	<u>\$ 4,574,542</u>	<u>\$</u>	<u>\$ 16,750,944</u>

### D. INVESTMENT INCOME

Investment income consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 428,954	\$ 357,604
Net realized and unrealized gains (losses) on investments	(1,241,038)	1,653,557
Investment management and custodial fees	<u>(40,500)</u>	<u>(35,029)</u>
	<u>\$ (852,584)</u>	<u>\$ 1,976,132</u>

### E. PLEDGES RECEIVABLE

As of December 31, 2018 and 2017, the Foundation had pledges receivable of \$3,286,066 and \$3,742,340, 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, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Short-term pledges receivable	<u>\$ 796,066</u>	<u>\$ 1,061,715</u>
Long-term pledges receivable	<u>\$ 2,490,000</u>	<u>\$ 2,680,625</u>

At December 31, 2018 and 2017, two and three donors account for 70% and 82% of the pledges receivable, respectively.



## Notes to Financial Statements

### 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, 2018 and 2017, was \$45,333 and \$57,063, respectively.

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Software	\$ 192,813	\$ 192,813
Website	31,063	31,063
Equipment	6,087	6,087
Less: accumulated depreciation and amortization	<u>(217,020)</u>	<u>(171,687)</u>
	<u>\$ 12,943</u>	<u>\$ 58,276</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, 2018 and 2017. 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.

### H. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, USA Swimming, Inc. provided support to the Foundation in the amounts of \$996,997 and \$1,525,371, respectively. During the years ended December 31, 2018 and 2017, the Foundation provided grants to USA Swimming, Inc. in the amounts of \$878,600 and \$732,500, respectively. The Foundation paid USA Swimming, Inc. office rent of \$60,000 in 2018 and 2017. At December 31, 2018, USA Swimming Foundation, Inc. owed USA Swimming, Inc. \$86,561. At December 31, 2017, USA Swimming, Inc. owed USA Swimming Foundation, Inc. \$31,437.



## Notes to Financial Statements

### H. RELATED PARTY TRANSACTIONS - Continued

During the years ended December 31, 2018 and 2017, the Foundation received proceeds of \$100,000 each year from the Golden Goggle Awards fundraising event which is conducted by USA Swimming, Inc. with the assistance of the Foundation.

### I. NET ASSETS WITH DONOR RESTRICTIONS: TEMPORARY IN NATURE

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

	<u>2018</u>	<u>2017</u>
Time restrictions	\$ 759,500	\$ 575,000
Purpose restrictions	<u>551,073</u>	<u>848,345</u>
	<u>\$ 1,310,573</u>	<u>\$ 1,423,345</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>2018</u>	<u>2017</u>
Time restrictions	\$ 665,500	\$ 556,399
Make a Splash	152,516	181,716
National team	148,750	80,625
Golden Goggles	<u>50,000</u>	<u>50,000</u>
	<u>\$ 1,016,766</u>	<u>\$ 868,740</u>

### J. NET ASSETS WITH DONOR RESTRICTIONS: PERPETUAL IN NATURE

During the year ended December 31, 2008, the Foundation received a perpetually restricted pledge of \$5,000,000. This pledge was recorded at the present value of \$4,967,466, net of a discount in the amount of \$32,534. Funds collected under the pledge are recognized as endowment funds. During the years ended December 31, 2018 and 2017, the Foundation recognized perpetually restricted contributions of \$0 and \$600,000, respectively. The Foundation only recognizes contributions received as endowment funds. During the years ended December 31, 2018 and 2017, the Foundation received perpetually restricted contributions of \$0 and \$400,000, respectively, which were recognized as endowment funds.



## Notes to Financial Statements

### K. ENDOWMENTS

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

	<u>2018</u>	<u>2017</u>
Endowment funds	\$ 3,254,229	\$ 2,950,000
Pledges receivable	<u>2,300,000</u>	<u>2,700,000</u>
	<u>\$ 5,554,229</u>	<u>\$ 5,650,000</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, 2018 and 2017, perpetually restricted uncollected pledges were \$2,300,000 and \$2,700,000, respectively.



## Notes to Financial Statements

### K. ENDOWMENTS - Continued

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, January 1, 2017	\$ 9,988,958	\$ 2,550,000
Investment return:		
Investment income	241,596	63,226
Net appreciation (net realized and unrealized	<u>1,312,631</u>	<u>345,192</u>
Total investment return	1,554,227	408,418
Contributions	1,264,310	400,000
Expenditures	<u>(430,000)</u>	<u>(146,250)</u>
Endowment net assets, December 31, 2017	12,377,495	3,212,168
Investment return:		
Investment income	272,896	78,277
Net depreciation (net realized and unrealized	<u>(958,979)</u>	<u>(273,236)</u>
Total investment return	(686,083)	(194,959)
Contributions	905,076	
Expenditures	<u>                    </u>	<u>(180,000)</u>
Endowment net assets, December 31, 2018	<u>\$13,063,718</u>	<u>\$ 2,837,209</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. Deficiencies of this nature exist in four donor-restricted endowment funds, which together have 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

### K. 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.