# USA SWIMMING FOUNDATION, INC. Financial Statements For the Year Ended December 31, 2020



### **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	•	•	•	•	•	 Ç
Statement of Cash Flows	•	•	•	•	•	 6
Notes to Financial Statements						 -



### 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, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited USA Swimming Foundation, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those statements in our report dated April 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Waugh & Goodwin, LLP

Colorado Springs, Colorado July 9, 2021

### USA SWIMMING FOUNDATION, INC.

### Statement of Financial Position

### December 31, 2020

(With Comparative Amounts for 2019)

### **ASSETS**

		<u>2020</u>		<u>2019</u>
CURRENT ASSETS:  Cash and cash equivalents  Accounts receivable  Pledges receivable	\$	2,385,689 155,232 774,600	\$	1,481,837 90,808 871,999
Prepaid expenses		49,487		11,737
Total current assets		3,365,008		2,456,381
LONG-TERM INVESTMENTS		18,242,539		19,582,216
LONG-TERM PLEDGES RECEIVABLE - net		850,000		1,052,500
PROPERTY AND EQUIPMENT, at cost:		000,000		_,00_,000
Equipment and software		229,963		229,963
Less accumulated depreciation		(229,963)		(227,375)
Property and equipment - net				2,588
OTHER ASSETS:				
Swim-A-Thon		120,000		120,000
TOTAL ASSETS	\$	22,577,547	\$	23,213,685
LIABILITIES AND NET A	SSE	<u>rs</u>		
CURRENT LIABILITIES:				
Accounts payable	\$	5,525	\$	10,976
Accrued liabilities	-	10,862	•	41,645
Deferred revenue		151,515		17,500
Due to USA Swimming, Inc.		1,068,919		99,871
Total current liabilities		1,236,821		169,992
NONCURRENT DEFERRED REVENUE				118,240
TOTAL LIABILITIES		1,236,821		288,232
NET ASSETS:				
Without donor restrictions Without donor restrictions -		1,673		26,974
board designated		12,821,618		14,901,689
With donor restrictions		8,517,435		7,996,790
Total net assets		21,340,726		22,925,453
TOTAL LIABILITIES AND NET ASSETS	\$	22,577,547	\$	23,213,685

## USA SWIMMING FOUNDATION, INC. Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
REVENUE:	REBELLECTORS	REBELLECTORS	TOCATS	100015
Investment income Contributions Sponsorship Swim-A-Thon Royalties Golden Goggles proceeds Other income Satisfied program	\$ 1,415,408 502,337 520,750 51,509 819	\$ 859,146 677,000	\$ 2,274,554 1,179,337 520,750 51,509 819	\$ 2,938,313 2,711,776 702,500 358,711 4,242 50,000 21,183
restrictions	1,015,501	(1,015,501)		
Total revenue	3,506,324	520,645	4,026,969	6,786,725
EXPENSES: Program services: Building Champions Learn to Swim Alumni and other	4,025,695 972,315 71,319		4,025,695 972,315 71,319	1,321,643 1,538,799 152,052
Total program services	5,069,329		5,069,329	3,012,494
Supporting services: Fundraising General and administrative	513,826 <u>420,987</u>		513,826 <u>420,987</u>	958,103 455,574
Total supporting services	934,813		934,813	1,413,677
Total expenses	6,004,142		6,004,142	4,426,171
CHANGE IN NET ASSETS	(2,497,818)	520,645	(1,977,173)	2,360,554
NET ASSETS, beginning of year	14,928,663	7,996,790	22,925,453	20,115,485
<pre>In-kind transfer from   USA Swimming, Inc.</pre>	392,446		392,446	449,414
NET ASSETS, end of year	\$ 12,823,291	\$ 8,517,435	\$ 21,340,726	\$ 22,925,453

USA SWIMMING FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Program Services				Supportin			
	Building Lean		Building Learn to Alumni Tot			General and	2020	2019
	Champions	Swim	and Other	Services	Fundraising	Administrative	Totals	Totals
Advertising	\$	\$	\$	\$	\$	\$	\$	\$ 1,568
Apparel								18,752
Awards and gifts					19,684		19,684	29,734
Catering and entertainment		13		13	2,404	326	2,743	35,456
Credit card fees			858	858	9,191		10,049	19,071
Depreciation						2,588	2,588	10,354
Dues and fees	144	541	72	757	14,140	14,062	28,959	31,592
Equipment and space rental		679		679		789	1,468	13,851
Freight and postage		730		730	9,079	1,662	11,471	58,062
Grants	3,883,529	313,842		4,197,371			4,197,371	1,767,305
Graphics and artwork								4,070
Management fee	14,000	38,000	14,000	66,000	114,000	20,000	200,000	
Miscellaneous						71	71	4,191
Office supplies and expenses					890	1,278	2,168	8,890
Printing and duplication					6,813	1,035	7,848	96,013
Professional fees	58,750	318,568	38,000	415,318	9,528	39,971	464,817	467,774
Recognition and fulfillment		557		557	2,245	770	3,572	57,305
Rent						70,000	70,000	60,000
Repairs and equipment								13,083
Salaries and benefits	69,272	296,126	18,389	383,787	312,261	261,727	957,775	1,497,849
Silent auction cost of sales					67,153		67,153	87,145
Telephone and internet		48		48	3,193	1,628	4,869	7,653
Travel		2,659		2,659	9,973	5,080	17,712	211,610
Video and photography		552		552	425		977	10,488
Website								1,500
Total expenses by function	4,025,695	972,315	71,319	5,069,329	580,979	420,987	6,071,295	4,513,316
Less expenses included with revenues on the statement of activities:								
Silent auction cost of sales					(67,153)		(67,153)	(87,145)
Total expenses on the statement of activities:	\$ 4,025,695	\$ 972,315	\$ 71,319	\$ 5,069,329	\$ 513,826	\$ 420,987	\$ 6,004,142	\$ 4,426,171

See Notes to Financial Statements

## USA SWIMMING FOUNDATION, INC. Statement of Cash Flows For the Year Ended December 31, 2020 (With Comparative Amounts for 2019)

	2020	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES: Change in net assets Adjustments to reconcile change in net assets to net cash used	\$ (1,977,173)	\$ 2,360,554
<pre>by operating activities:   Depreciation   Net realized and unrealized gains</pre>	2,588	10,354
on investments In-kind transfer from USA Swimming, Inc. Decrease (increase) in operating assets:	(1,942,125) 392,446	(2,476,489) 449,414
Accounts receivable Pledges receivable Prepaid expenses Increase (decrease) in operating	(64,424) 149,899 (37,750)	11,193 (788,433) (856)
liabilities: Accounts payable Accrued liabilities Deferred revenue Due to USA Swimming, Inc.	(5,451) (30,783) 15,775 969,048	(20,220) (32,271) 135,740 13,310
Total adjustments	(550,777)	(2,698,258)
Net cash used by operating activities  CASH FLOWS FROM INVESTING ACTIVITIES:	(2,527,950)	(337,704)
Short-term investments, net Purchase of long-term investments Proceeds from long-term investments	(28,754,454) 32,036,256	999,239 (9,277,167) 7,582,959
Net cash provided (used) by investing activities	3,281,802	(694,969)
CASH FLOWS FROM FINANCING ACTIVITIES: Collection of pledges receivable restricted for endowment	150,000	2,150,000
Net cash provided by financing activities	150,000	2,150,000
NET INCREASE IN CASH	903,852	1,117,327
CASH AND CASH EQUIVALENTS, beginning of year	1,481,837	364,510
CASH AND CASH EQUIVALENTS, end of year	\$ 2,385,689	\$ 1,481,837

## USA SWIMMING FOUNDATION, INC. Notes to Financial Statements For the Year Ended December 31, 2020

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

The USA Swimming Foundation, Inc. (Foundation) is a nonprofit corporation 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.

### 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 2020 were \$36,381 and \$819, respectively.

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

### 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, 2020 and 2019.

### 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. receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash using risk-adjusted computed interest 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. 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.

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

### Contributed Services

The Foundation receives a substantial amount of donated services in carrying out their programs. Contributed services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation.

During the years ended December 31, 2020 and 2019, the Foundation recorded a transfer of equity from USA Swimming, Inc. and the related expense for contributed services in the amount of \$392,446 and \$449,414, respectively. 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 revenues and expenditures in the accompanying statement of activities at their estimated values.

### Revenue from Contracts with Customers

<u>Sponsorship</u> - The Foundation recognizes revenue from contracts with both sponsors and suppliers of USA Swimming, Inc. and the Foundation. 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.

<u>Events</u> - 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 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 when Trials occur.

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

### Revenue from Contracts with Customers - continued

<u>Swim-A-Thon and royalties</u> - 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. In April 2020, the Foundation waived the contracted 5% fee for teams completing a Swim-A-Thon through December 31, 2021.

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.

### 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, 2019, from which the summarized information was derived.

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

### Prior-Year Comparisons - continued

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 July 9, 2021, 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

### B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

 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 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> 2020</u>	<u> 2019</u>
Financial assets at year-end:		
Cash and cash equivalents Pledges receivable Other receivables	\$ 2,385,68 1,624,60 155,23	0 1,924,499
Total financial assets	4,165,52	1 3,497,144
Less amounts not available to be used within one year: Contribution receivable - for restricted gifts, net	774.60	0 871.999
Contribution receivable - due over one year, net	850,00	,,,,,
Financial assets not available to be used within one year	1,624,60	0 1,924,499
Financial assets available within one year	\$ 2,540,92	<u> </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).

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.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

Assets	at	Fair	Value	as	of	December	31,	2020	
		Leve	e1 1		т	evel 2		Leve	1

	Level 1	Level 2	Level 3	Total
Equity securities:				
Exchange traded funds	\$ 7,784,518	\$	\$	\$ 7,784,518
Pooled equity funds	3,386,386			3,386,386
Mutual funds	364,365			364,365
Debt securities:				
Corporate		4,133,411		4,133,411
US Treasury and				
Federal agencies		1,794,903		1,794,903
State and municipal				
agencies		489,306		489,306
International		166,820		166,820
Money market	122,830			122,830
	\$ 11,658,099	\$ 6,584,440	\$	\$ 18,242,539

### C. FAIR VALUE MEASUREMENTS - Continued

### Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Equity securities:				
Exchange traded funds Mutual funds	\$ 7,805,397 3,908,623	•	\$	\$ 7,805,397 3,908,623
Debt securities:				
Corporate		3,880,824		3,880,824
US Treasury and				
Federal agencies State and municipal		3,057,169		3,057,169
agencies		439,449		439,449
International		193,080		193,080
Money market	297,674	<u> </u>		297,674
	\$ 12,011,694	\$ 7,570,522	\$	\$ 19,582,216

### D. INVESTMENT INCOME

Investment income consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends Net realized and unrealized gains Investment fees	\$ 379,363 1,942,125 (46,934)	\$ 505,128 2,476,489 (43,304)
	\$ 2,274,554	\$ 2,938,313

### E. PLEDGES RECEIVABLE

As of December 31, 2020 and 2019, the Foundation had pledges receivable of \$1,624,600 and \$1,924,499, 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, 2020 and 2019 were as follows:

		<u>2020</u>	<u>2019</u>
Short-term pledges receivable	<u>\$</u>	774,600	\$ 871,999
Long-term pledges receivable	\$	850,000	\$ 1,052,500

### E. PLEDGES RECEIVABLE - Continued

At December 31, 2020 and 2019, one donor accounts for 37% and 42% 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 three to 10 years.

Depreciation expense for the years ended December 31, 2020 and 2019, was \$2,588 and \$10,354, respectively.

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Software	\$ 192,813	\$ 192,813
Website	31,063	31,063
Equipment	6,087	6,087
Less: accumulated depreciation		
and amortization	 (229,963)	 (227,375)
	\$ 	\$ 2,588

### G. OTHER 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, 2020 and 2019. 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. DEFERRED REVENUE

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

	2020	2019
Current: Olympic Trials Sponsorship Other	\$ 151,515	\$ 15,000 2,500
Total current	151,515	17,500
Noncurrent: Olympic Trials tickets and packages	 	 118,240
Total deferred revenue	\$ 151,515	\$ 135,740

### I. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, USA Swimming, Inc. provided in-kind support to the Foundation in the amounts of \$392,446 and \$449,414, respectively. During the years ended December 31, 2020 and 2019, the Foundation provided grants to USA Swimming, Inc. in the amounts of \$882,649 and \$1,158,750, respectively. The Foundation paid USA Swimming, Inc. office rent of \$70,000 and \$60,000 in 2020 and 2019, respectively. At December 31, 2020 and 2019, USA Swimming Foundation, Inc. owed USA Swimming, Inc. \$1,068,919 and \$99,871, respectively.

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

During the years ended December 31, 2020 and 2019, the Foundation received proceeds of \$0 and \$50,000, respectively, from the Golden Goggle Awards fundraising event which is conducted by USA Swimming, Inc. with the assistance of the Foundation.

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

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions Time restrictions	\$ 2,311,935 530,500	\$ 1,537,290 809,500
	\$ 2,842,435	\$ · · · · · · · · · · · · · · · · · · ·

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

	<u>2020</u>	<u>2019</u>
Learn to Swim National Team	\$ 358,852 352,649	\$ 415,625 367,213
Time restrictions	 304,000	 370,000
	\$ 1,015,501	\$ 1,152,838

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

During the years ended December 31, 2008, 2016, 2017 and 2020, the Foundation received perpetually restricted pledges of \$5,000,000, \$50,000, \$600,000, and \$25,000 respectively. Funds collected under the pledges are recognized as endowment funds. During the year ended December 31, 2019, the Foundation did not recognize any perpetually restricted contributions. The Foundation only recognizes contributions received as endowment funds. During the years ended December 31, 2020 and 2019, the Foundation received perpetually restricted contributions of \$150,000 and \$2,150,000, respectively, which were recognized as endowment funds in prior years. During the year ended December 31, 2020, the \$25,000 noted in the first sentence was a reallocation by one donor of their previously time-restricted contribution to the endowment. The \$25,000 is included in the \$150,000 contributions collected as noted above.

### L. ENDOWMENTS

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

	<u>2020</u>	<u>2019</u>
Endowment funds Pledges receivable	\$ 5,650,000 25,000	\$ 5,500,000 150,000
	\$ 5,675,000	\$ 5,650,000

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 Learn to Swim, National Team initiatives, 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, 2020 and 2019, perpetually restricted uncollected pledges were \$25,000 and \$150,000, respectively.

### L. ENDOWMENTS - Continued

	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, January 1, 2019	\$ 12,069,287	\$ 3,254,229	
<pre>Investment return:   Investment income   Net appreciation (net     realized and</pre>	331,547	55,089	
unrealized)	1,899,855	315,682	
Total investment return	2,231,402	370,771	
Contributions Expenditures	(600,000)	2,150,000 (275,000)	
Endowment net assets, December 31, 2019	13,700,689	5,500,000	
<pre>Investment return:   Investment income   Net appreciation (net    realized and</pre>	189,695	34,973	
unrealized)	1,200,234	221,277	
Total investment return	1,389,929	256,250	
Contributions Expenditures	(3,470,000)	150,000 (256,250)	
Endowment net assets, December 31, 2020	<u>\$ 11,620,618</u>	\$ 5,650,000	

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 years ended December 31, 2020 and 2019 there were no net asset deficiencies present.

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.

### L. ENDOWMENTS - Continued

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. UNCERTAINTIES

During the year ended December 31, 2020, the outbreak of a novel strain of coronavirus (COVID-19 outbreak) has been recognized as a pandemic by the World Health Organization, and became increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including, but not limited to, the uncertainty in global financial markets, temporary closures of many businesses, suspension or cancelation of events, "shelter in place" and other governmental regulations, and job losses. The extent to which the COVID-19 outbreak will continue to affect the operations, collections or financial results of the Foundation is uncertain.