



**USA SWIMMING FOUNDATION, INC.**

**Financial Statements**

**For the Year Ended December 31, 2023**

**And**

**Independent Auditors' Report**

# USA SWIMMING FOUNDATION, INC.

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
USA Swimming Foundation, Inc.

### **Opinion**

We have audited the accompanying financial statements of USA Swimming Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stockman Kast Ryan + Co. LLP*

May 15, 2024

# USA SWIMMING FOUNDATION, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023 (with comparative totals for 2022)

	2023	2022
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,111,639	\$ 1,456,330
Accounts receivable	232,429	231,964
Current portion of pledges receivable, net	753,132	941,174
Prepaid expenses	<u>251,602</u>	<u>7,838</u>
Total current assets	3,348,802	2,637,306
INVESTMENTS	18,699,503	16,462,974
LONG-TERM PLEDGES RECEIVABLE, NET	767,499	608,804
INTANGIBLE ASSETS	<u>120,000</u>	<u>120,000</u>
TOTAL ASSETS	<u>\$ 22,935,804</u>	<u>\$ 19,829,084</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 17,027	\$ 11,881
Accrued liabilities		10,808
Due to USA Swimming, Inc.	559,362	60,339
Current portion of deferred revenue	<u>436,168</u>	
Total current liabilities	1,012,557	83,028
LONG-TERM DEFERRED REVENUE		<u>50,900</u>
TOTAL LIABILITIES	<u>1,012,557</u>	<u>133,928</u>
NET ASSETS		
Without donor restrictions:		
Available for operations	270,907	270,418
Board designated — endowment	11,970,594	10,585,591
Board designated — reserves	<u>1,201,000</u>	<u>1,201,000</u>
Total net assets without donor restrictions	13,442,501	12,057,009
With donor restrictions	<u>8,480,746</u>	<u>7,638,147</u>
Total net assets	<u>21,923,247</u>	<u>19,695,156</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,935,804</u>	<u>\$ 19,829,084</u>

See notes to financial statements.

# USA SWIMMING FOUNDATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023 (with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Investment income (loss)	\$ 1,803,715	\$ 989,121	\$ 2,792,836	\$ (3,033,307)
Contributions - financial	659,050	1,340,150	1,999,200	1,827,019
Contributions - nonfinancial	608,204		608,204	564,216
Sponsorship	898,098		898,098	619,799
Swim-A-Thon	276,393		276,393	232,707
Other income	56,732		56,732	2,106
Satisfied program restrictions	1,486,672	(1,486,672)		
Total revenue	5,788,864	842,599	6,631,463	212,540
EXPENSES				
Program services:				
Building Champions	1,516,076		1,516,076	1,414,395
Saving Lives	1,373,828		1,373,828	1,354,913
Impacting Communities	318,500		318,500	268,500
Total program services	3,208,404	—	3,208,404	3,037,808
Supporting services:				
Fundraising	640,459		640,459	501,079
General and administrative	544,394		544,394	505,224
Olympic Trials VIP packages	10,115		10,115	1,043
Total supporting services	1,194,968	—	1,194,968	1,007,346
Total expenses	4,403,372	—	4,403,372	4,045,154
CHANGE IN NET ASSETS	1,385,492	842,599	2,228,091	(3,832,614)
NET ASSETS, Beginning of year	12,057,009	7,638,147	19,695,156	23,527,770
NET ASSETS, End of year	\$ 13,442,501	\$ 8,480,746	\$ 21,923,247	\$ 19,695,156

See notes to financial statements.

## USA SWIMMING FOUNDATION, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2023 (with comparative totals for 2022)

	2023									2022 Total
	Program Services				Support Services				Total	
	Building Champions	Saving Lives	Impacting Communities	Program Services Total	Fundraising	General and Administrative	Olympic Trials VIP packages	Support Services Total		
Grants	\$ 1,202,500	\$ 808,579	\$ 318,500	\$ 2,329,579					\$ 2,329,579	\$ 2,393,306
Salaries and benefits										576,264
Management fee	167,997	202,511		370,508	\$ 357,470	\$ 332,022		\$ 689,492	1,060,000	200,000
Professional fees and honoraria	62,500	231,668		294,168	25,358	131,519		156,877	451,045	399,638
Travel and hospitality	22,254	56,976		79,230	141,385	32,262		173,647	252,877	149,811
Recognition and fulfillment	58,148	2,465		60,613	40,177	10,792		50,969	111,582	104,192
Occupancy	250	1,250		1,500	9,425	2,711		12,136	13,636	88,431
Dues, fees and tickets	385	691		1,076	35,032	21,790	\$ 10,115	66,937	68,013	68,912
Office supplies and expenses	396	10,940		11,336	25,255	2,504		27,759	39,095	25,413
Gear, equipment and signage		3,327		3,327	1,766	8,447		10,213	13,540	18,622
Printing	156	155		311	3,130	616		3,746	4,057	10,155
Advertising						288		288	288	6,037
Telephone and internet					1,461	1,443		2,904	2,904	3,427
Apparel	1,490	55,266		56,756					56,756	946
Total expenses	<u>\$ 1,516,076</u>	<u>\$ 1,373,828</u>	<u>\$ 318,500</u>	<u>\$ 3,208,404</u>	<u>\$ 640,459</u>	<u>\$ 544,394</u>	<u>\$ 10,115</u>	<u>\$ 1,194,968</u>	<u>\$ 4,403,372</u>	
Percentage	34%	32%	7%	73%	15%	12%	0%	27%	100%	
Total expenses — 2022	<u>\$ 1,414,395</u>	<u>\$ 1,354,913</u>	<u>\$ 268,500</u>	<u>\$ 3,037,808</u>	<u>\$ 501,079</u>	<u>\$ 505,224</u>	<u>\$ 1,043</u>	<u>\$ 1,007,346</u>		<u>\$ 4,045,154</u>
Percentage — 2022	35%	33%	7%	75%	17%	12%	0%	25%		100%

See notes to financial statements.

# USA SWIMMING FOUNDATION, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023 (with comparative totals for 2022)

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ 2,228,091	\$ (3,832,614)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Uncollectable pledges	50,000	37,500
Contributions restricted to endowment	(232,500)	(87,500)
Net realized and unrealized (gain) loss on investments	(2,357,906)	3,413,247
Changes in operating assets and liabilities:		
Accounts receivable	(465)	(63,248)
Pledges receivable, net	124,347	205,440
Prepaid expenses	(243,764)	57,518
Accounts payable and accrued liabilities	(5,662)	(1,076)
Deferred revenue	385,268	50,900
Due to USA Swimming, Inc.	499,023	(65,187)
Net cash provided by (used in) operating activities	<u>446,432</u>	<u>(285,020)</u>
INVESTING ACTIVITIES		
Purchases of investments	(2,714,871)	(10,068,085)
Proceeds from disposition of investments	<u>2,836,248</u>	<u>10,214,144</u>
Net cash provided by investing activities	<u>121,377</u>	<u>146,059</u>
FINANCING ACTIVITIES		
Net cash provided by financing activities —		
Collection of pledges receivable restricted for endowment	<u>87,500</u>	<u>30,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	655,309	(108,961)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,456,330</u>	<u>1,565,291</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,111,639</u>	<u>\$ 1,456,330</u>

See notes to financial statements.



# USA SWIMMING FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** — USA Swimming Foundation, Inc. (the Foundation) is a Colorado non-profit corporation established in 2004. The Foundation is organized to operate for charitable and educational purposes: through Savings Lives in the form of learn to swim grants, Building Champions in the form of USA Swimming National Team support and Impacting Communities in the form of support to swim clubs and swim communities. The Foundation serves as a supporting organization of USA Swimming, Inc. (USA Swimming).

**Basis of Presentation** — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

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

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

**Accounts Receivable** — Accounts receivable are stated at unpaid balances. The Foundation considers its accounts receivable to be fully collectible; accordingly, no allowance for credit losses 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 uncollectable.

**Pledges Receivable** — Pledges receivable consist of unconditional promises to give that are expected to be collected in current and future periods. Pledges expected to be collected within one year are recorded at their estimated net realizable values. Pledges receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows, computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue.

Pledges receivable are reported as donor restricted support unless the donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities in the current period.

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

**Intangible Assets** — USA Swimming 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, 2023 and 2022.

Swim-A-Thon is a trademarked program that swim teams utilize as a fundraiser for their competitive programs and activities. Participant teams pay royalties to the Foundation to support its mission. The Foundation receives a royalty from swim clubs for the use of the Swim-A-Thon trademark, prizes and administrative services provided by the Foundation. The revenue is recognized upon receipt of the royalty.

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

**Revenue Recognition** — Contributions are recognized as revenue when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor-stipulated time restriction ends, or a purpose restriction is accomplished net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

The Foundation receives revenue from sales related to activities at the U.S. Olympic Team Trials (the Trials) which typically occur a few months prior to the Summer Olympics. The sales include Trials tickets sales to USA Swimming National Team Alumni and a VIP experience package including a variety of activities. The revenue is recognized when performance obligations are met.

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

During the years ended December 31, 2023 and 2022, the Foundation received from USA Swimming contributed services in the amount of \$290,000 and \$268,740, respectively, which were recognized as an offsetting revenue and expense. The Foundation measured the services received at the cost recognized by USA Swimming for the actual cost incurred for personnel providing those services.

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

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

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

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

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

## **2. AVAILABLE RESOURCES AND LIQUIDITY**

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

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

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

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

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected grant commitment payments, which typically represents approximately 25% of the expected annual grant cash needs. Additionally, in the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution. The table below presents financial assets available for general expenditures within one year at December 31:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 2,111,639	\$ 1,456,330
Pledges receivable	1,520,631	1,549,978
Accounts receivable	232,429	231,964
Investments	<u>18,699,503</u>	<u>16,462,974</u>
Total financial assets	<u>22,564,202</u>	<u>19,701,246</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(1,775,746)	(1,260,647)
Restricted by donors with time restrictions	(680,000)	(585,000)
Restricted by donors for endowment	<u>(6,025,000)</u>	<u>(5,792,500)</u>
Total amounts unavailable for general expenditures within one year	<u>(8,480,746)</u>	<u>(7,638,147)</u>
Less amounts unavailable to management without Board's approval:		
Board-designated	<u>(13,171,594)</u>	<u>(11,786,591)</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 911,862</u>	<u>\$ 276,508</u>

### **3. FUNCTIONAL EXPENSE ALLOCATION METHODS**

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between various programs and support services on several bases and estimates.

Grants are allocated to the programs benefited. Management fee, contract labor and travel are allocated fully to the related program and on the basis of estimates of time and effort spent by personnel in the various program and supporting services. Other expenses such as professional fees, rent, overhead and supplies have all been allocated based on usage.

#### 4. PLEDGES RECEIVABLE

As of December 31, 2023 and 2022, the Foundation had pledges receivable of \$1,520,631 and \$1,549,978, respectively, representing unconditional promises to give made during the current and prior years. Pledges receivable are expected to be collected as follows:

	2023	2022
Receivable within one year	\$ 753,132	\$ 941,174
Receivable in one to five years	<u>767,499</u>	<u>608,804</u>
Total	<u>\$ 1,520,631</u>	<u>\$ 1,549,978</u>

As of December 31, 2023, three donors accounted for 37% of pledges receivable. At December 31, 2022, two donors accounted for 34% of pledges receivable.

#### 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

Level 3: Prices determined using significant unobservable inputs.

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

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

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2023:</b>				
Cash and money market funds	\$ 386,946	\$ 386,946		
Exchange traded funds:				
Domestic equity	11,293,615	11,293,615		
International equity	1,004,032	1,004,032		
Mutual funds:				
Fixed income	1,338,118	1,338,118		
International equity	939,511	939,511		
Fixed income securities:				
Agency	1,317,118		\$ 1,317,118	
Corporate	898,461		898,461	
U.S. Treasury	846,517		846,517	
International	495,766		495,766	
State and municipal agencies	<u>179,419</u>		<u>179,419</u>	
Total	<u>\$ 18,699,503</u>	<u>\$ 14,962,222</u>	<u>\$ 3,737,281</u>	<u>\$ —</u>
<b>2022:</b>				
Cash and money market funds	\$ 291,889	\$ 291,889		
Exchange traded funds:				
Domestic equity	9,591,642	9,591,642		
International equity	961,197	961,197		
Mutual funds:				
Fixed income	1,093,779	1,093,779		
International equity	1,046,318	1,046,318		
Fixed income securities:				
Agency	1,063,769		\$ 1,063,769	
Corporate	1,026,057		1,026,057	
U.S. Treasury	750,994		750,994	
International	427,079		427,079	
State and municipal agencies	<u>210,250</u>		<u>210,250</u>	
Total	<u>\$ 16,462,974</u>	<u>\$ 12,984,825</u>	<u>\$ 3,478,149</u>	<u>\$ —</u>

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

	<b>2023</b>	<b>2022</b>
Net realized and unrealized gains (losses)	\$ 2,357,906	\$ (3,413,247)
Interest and dividends	473,030	422,221
Investment management and custodial fees	<u>(38,100)</u>	<u>(42,281)</u>
Investment income (loss), net	<u>\$ 2,792,836</u>	<u>\$ (3,033,307)</u>

## **6. RELATED PARTY TRANSACTIONS**

In 2019, the Foundation entered into a Memorandum of Understanding (MOU) with USA Swimming which established certain relationships and mutual commitments between the organizations. The agreement was updated in 2023 to include a revised management fee paid by the Foundation to USA Swimming for office services and contracted employee services provided by USA Swimming for benefit of the Foundation. Through the 2023 MOU, USA Swimming contracts employees' services to the Foundation, based on the amount of time these employees devote to Foundation-related work. USA Swimming provides these services at a discounted rate. This fee agreement is paid quarterly by the Foundation.

The Foundation incurred management fees of \$1,060,000, net of a \$290,000 discount, during the year ended December 31, 2023. During the year ended December 31, 2022, the Foundation paid \$200,000 for services provided by employees of USA Swimming and \$70,000 for office rent. During the year ended December 31, 2022 USA Swimming provided in-kind support for the Foundation in the amount of \$268,740.

During the years ended December 31, 2023 and 2022, the Foundation provided grants to USA Swimming in the amounts of \$1,521,000 and \$1,423,500, respectively. At December 31, 2023 and 2022, the Foundation owed USA Swimming \$559,362 and \$60,339 respectively.

## **7. ENDOWMENT FUNDS**

The Foundation's endowment funds include both donor restricted funds and funds designated by the Board of Directors to function as endowments.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The earnings of the donor restricted endowment support Saving Lives initiatives, Impacting Communities initiatives, National Team initiatives, and the USA Swimming Dirks/Gould Coaches Incentive Program. The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The act provides statutory guidance for management investment and expenditure of endowment funds held by not-for-profit organizations.

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of December 31 are as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>2023:</b>			
Donor-restricted endowment funds		\$ 6,789,936	\$ 6,789,936
Board-designated endowment funds	<u>\$ 11,970,594</u>	<u>                    </u>	<u>11,970,594</u>
Total funds	<u>\$ 11,970,594</u>	<u>\$ 6,789,936</u>	<u>\$ 18,760,530</u>
<b>2022:</b>			
Donor-restricted endowment funds		\$ 5,869,948	\$ 5,869,948
Board-designated endowment funds	<u>\$ 10,585,591</u>	<u>                    </u>	<u>10,585,591</u>
Total funds	<u>\$ 10,585,591</u>	<u>\$ 5,869,948</u>	<u>\$ 16,455,539</u>

Changes in endowment net assets for the years ended December 31 are as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>2023:</b>			
Endowment net assets, beginning of year	\$ 10,585,591	\$ 5,869,948	\$ 16,455,539
Investment return, net	1,766,003	980,238	2,746,241
Appropriations	(478,500)	(292,750)	(771,250)
Contributions	<u>97,500</u>	<u>232,500</u>	<u>330,000</u>
Endowment net assets, end of year	<u>\$ 11,970,594</u>	<u>\$ 6,789,936</u>	<u>\$ 18,760,530</u>



	Without Donor Restriction	With Donor Restriction	Total
<b>2022:</b>			
Endowment net assets, beginning of year	\$ 12,774,856	\$ 7,153,129	\$ 19,927,985
Investment return, net	(1,920,765)	(1,088,181)	(3,008,946)
Appropriations	(478,500)	(282,500)	(761,000)
Contributions	<u>210,000</u>	<u>87,500</u>	<u>297,500</u>
Endowment net assets, end of year	<u>\$ 10,585,591</u>	<u>\$ 5,869,948</u>	<u>\$ 16,455,539</u>

	2023	2022
<b>Net assets with donor restrictions</b>		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 6,025,000	\$ 5,792,500
Accumulated investment gains	<u>764,936</u>	<u>77,448</u>
Total	<u>\$ 6,789,936</u>	<u>\$ 5,869,948</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. At December 31, 2022, funds with original gift values of \$217,500, fair values of \$203,973, and deficiencies of \$13,527 were reported in net assets with donor restrictions. During the year, the Foundation did not appropriate any expenditure from underwater endowments. No such deficiencies existed as of December 31, 2023.

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

## 8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Purpose restricted	\$ 1,010,810	\$ 1,183,199
Time restricted	<u>680,000</u>	<u>585,000</u>
Total	1,690,810	1,768,199
Endowment funds	<u>6,789,936</u>	<u>5,869,948</u>
Total net assets with donor restrictions	<u>\$ 8,480,746</u>	<u>\$ 7,638,147</u>

## 9. AFFILIATION

During the year ended December 31, 2021, the USA Swimming Foundation and U.S. Masters Swimming formed a philanthropic partnership to create greater support for adult Learn-to-Swim efforts. The partnership shall continue through December 31, 2028. This partnership brings Learn-to-Swim fundraising efforts for these two organizations under the Foundation umbrella creating a greater generational impact by providing swim lessons to people of all ages.

## 10. CONTRIBUTIONS — NONFINANCIAL ASSETS

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

	Revenue Recognized	Utilization in Programs / Activities	Donor Restriction	Valuation Techniques / Inputs
<b>2023:</b>				
USA Swimming				
support services	\$ 290,000	Operations	None	Fair market value
Auction donations	<u>318,204</u>	Fundraising	None	Fair market value
Total	<u>\$ 608,204</u>			
<b>2022:</b>				
USA Swimming				
support services	\$ 268,740	Operations	None	Fair market value
Auction donations	<u>295,476</u>	Fundraising	None	Fair market value
Total	<u>\$ 564,216</u>			