

UNITED STATES SAILING ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

UNITED STATES SAILING ASSOCIATION, INC.
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YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Sailing Association, Inc.
Portsmouth, Rhode Island

We have audited the accompanying financial statements of United States Sailing Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

Board of Directors
United States Sailing Association, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Sailing Association, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
November 10, 2016

UNITED STATES SAILING ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------------------------|---------------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 358,111 | \$ 972,285 |
| Investments held for short-term purposes | 949,757 | 497,180 |
| Accounts receivable, net | 160,522 | 152,805 |
| Pledges and grants receivable, net | 949,833 | 402,322 |
| Inventory, net | 209,632 | 288,673 |
| Prepaid expenses | 321,134 | 127,891 |
| Total current assets | <u>2,948,989</u> | <u>2,441,156</u> |
| Property and Equipment | 3,076,419 | 2,540,029 |
| Less accumulated depreciation | <u>1,793,128</u> | <u>1,651,860</u> |
| Net property and equipment | <u>1,283,291</u> | <u>888,169</u> |
| Other Assets: | | |
| Long-term pledges receivable, net | 1,016,282 | 760,867 |
| Long-term investments | 2,840,998 | 3,203,454 |
| Other assets, net | <u>163,656</u> | <u>212,287</u> |
| Total other assets | <u>4,020,936</u> | <u>4,176,608</u> |
| Total Assets | <u><u>\$ 8,253,216</u></u> | <u><u>\$ 7,505,933</u></u> |

See accompanying Notes to Financial Statements.

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Current portion of capital lease obligation | \$ 7,396 | \$ 10,829 |
| Accounts payable | 188,201 | 145,171 |
| Accrued expenses | 332,894 | 301,135 |
| Deferred revenue: | | |
| Memberships | 1,105,529 | 1,056,518 |
| Program sponsorship and other | 499,764 | 330,007 |
| Total current liabilities | <u>2,133,784</u> | <u>1,843,660</u> |
| Deferred revenue - memberships | 298,269 | 329,431 |
| Capital lease obligation, less current portion | 3,337 | 10,734 |
| Total liabilities | <u>2,435,390</u> | <u>2,183,825</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Board designated for endowment | 2,059,546 | 2,370,591 |
| Board designated, other | 180,607 | 187,146 |
| Other unrestricted | 467,304 | 574,821 |
| Total unrestricted net assets | <u>2,707,457</u> | <u>3,132,558</u> |
| Temporarily restricted | 3,006,869 | 2,086,050 |
| Permanently restricted | 103,500 | 103,500 |
| Total net assets | <u>5,817,826</u> | <u>5,322,108</u> |
| Total Liabilities and Net Assets | <u>\$ 8,253,216</u> | <u>\$ 7,505,933</u> |

UNITED STATES SAILING ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

| | 2015 | | | |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Change in operating net assets: | | | | |
| Operating revenues and other support: | | | | |
| Membership dues | \$1,938,781 | \$ - | \$ - | \$1,938,781 |
| Educational and program activities | 2,298,931 | - | - | 2,298,931 |
| U.S. Olympic Committee grants | 1,067,981 | - | - | 1,067,981 |
| Sponsorship agreements | 1,895,185 | - | - | 1,895,185 |
| Contributions | 408,007 | 2,729,804 | - | 3,137,811 |
| Other | 340,553 | - | - | 340,553 |
| Net assets released from restrictions operations | 1,799,271 | (1,799,271) | - | - |
| Total operating revenues and other support | 9,748,709 | 930,533 | - | 10,679,242 |
| Program activities: | | | | |
| Education and certification programs | 2,103,314 | - | - | 2,103,314 |
| Marketing and communications | 776,492 | - | - | 776,492 |
| Membership activities | 795,845 | - | - | 795,845 |
| Competitive events | 1,284,422 | - | - | 1,284,422 |
| Olympic activities | 4,246,465 | - | - | 4,246,465 |
| Total program activities | 9,206,538 | - | - | 9,206,538 |
| Supporting services: | | | | |
| Management and general | 737,223 | - | - | 737,223 |
| Fundraising and development | 129,697 | - | - | 129,697 |
| Total supporting services | 866,920 | - | - | 866,920 |
| Total operating expenses | 10,073,458 | - | - | 10,073,458 |
| Change in net assets from operations | (324,749) | 930,533 | - | 605,784 |
| Non-Operating activities: | | | | |
| Net assets released from restrictions capital | - | - | - | - |
| Investment income, net | (100,352) | (9,714) | - | (110,066) |
| Change in non-operating net assets | (100,352) | (9,714) | - | (110,066) |
| Change in total net assets | (425,101) | 920,819 | - | 495,718 |
| Net assets, beginning of year | 3,132,558 | 2,086,050 | 103,500 | 5,322,108 |
| Net assets, end of year | \$2,707,457 | \$3,006,869 | \$ 103,500 | \$5,817,826 |

See accompanying Notes to Financial Statements.

UNITED STATES SAILING ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2014

| | 2014 | | | |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Change in operating net assets: | | | | |
| Operating revenues and other support: | | | | |
| Membership dues | \$ 1,882,036 | \$ - | \$ - | \$ 1,882,036 |
| Educational and program activities | 2,305,308 | - | - | 2,305,308 |
| U.S. Olympic Committee grants | 1,781,500 | - | - | 1,781,500 |
| Sponsorship agreements | 1,497,000 | - | - | 1,497,000 |
| Contributions | 279,477 | 1,436,427 | - | 1,715,904 |
| Other | 515,217 | - | - | 515,217 |
| Net assets released from restrictions | 920,331 | (920,331) | - | - |
| Total operating revenues and other support | 9,180,869 | 516,096 | - | 9,696,965 |
| Program activities: | | | | |
| Education and certification programs | 1,907,017 | - | - | 1,907,017 |
| Marketing and communications | 674,998 | - | - | 674,998 |
| Membership activities | 791,099 | - | - | 791,099 |
| Competitive events | 1,335,773 | - | - | 1,335,773 |
| Olympic activities | 3,538,094 | - | - | 3,538,094 |
| Total program activities | 8,246,981 | - | - | 8,246,981 |
| Supporting services: | | | | |
| Management and general | 1,017,612 | - | - | 1,017,612 |
| Fundraising and development | 112,994 | - | - | 112,994 |
| Total supporting services | 1,130,606 | - | - | 1,130,606 |
| Total operating expenses | 9,377,587 | - | - | 9,377,587 |
| Change in net assets from operations | (196,718) | 516,096 | - | 319,378 |
| Non-Operating activities: | | | | |
| Net assets released from restrictions capital | 200,000 | (200,000) | - | - |
| Investment income, net | 46,345 | 4,509 | - | 50,854 |
| Change in non-operating net assets | 246,345 | (195,491) | - | 50,854 |
| Change in total net assets | 49,627 | 320,605 | - | 370,232 |
| Net assets, beginning of year | 3,082,931 | 1,765,445 | 103,500 | 4,951,876 |
| Net assets, end of year | \$ 3,132,558 | \$ 2,086,050 | \$ 103,500 | \$ 5,322,108 |

See accompanying Notes to Financial Statements.

UNITED STATES SAILING ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Change in total net assets | \$ 495,718 | \$ 370,232 |
| Adjustments to reconcile change in total net assets to net cash (used) provided by operating activities: | | |
| Depreciation and amortization | 344,013 | 469,292 |
| Provision for uncollectible accounts receivable | - | 22,966 |
| Net loss on disposal of property and equipment | 2,877 | 1,355 |
| In-kind donation of property and equipment | (333,844) | - |
| Realized and unrealized losses on investments | 153,151 | 37,395 |
| Change in assets and liabilities: | | |
| Accounts receivable | (7,717) | (122,866) |
| Pledges and grants receivable | (802,926) | (569,402) |
| Inventory | 79,041 | 9,988 |
| Prepaid expenses | (193,243) | 24,336 |
| Other assets | (26,704) | (34,671) |
| Accounts payable | 43,030 | 60,576 |
| Accrued expenses | 31,759 | (59,556) |
| Deferred revenue | 187,606 | 165,731 |
| Net cash (used) provided by operating activities | <u>(27,239)</u> | <u>375,376</u> |
| Cash Flows from Investing Activities: | | |
| Acquisition of property and equipment | (332,833) | (362,539) |
| Proceeds from the sale of investments | 1,408,596 | 1,687,801 |
| Purchase of investments | (1,651,868) | (1,185,287) |
| Net cash (used) provided by investing activities | <u>(576,105)</u> | <u>139,975</u> |
| Cash Flows from Financing Activities: | | |
| Principal payments on capital lease obligation | (10,830) | (16,656) |
| Net cash used by financing activities | <u>(10,830)</u> | <u>(16,656)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (614,174) | 498,695 |
| Cash and Cash Equivalents, beginning of year | <u>972,285</u> | <u>473,590</u> |
| Cash and Cash Equivalents, end of year | <u>\$ 358,111</u> | <u>\$ 972,285</u> |
| Supplemental Disclosures | | |
| Interest Paid | <u>\$ 3,127</u> | <u>\$ 4,078</u> |

See accompanying Notes to Financial Statements.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 NATURE OF OPERATIONS

United States Sailing Association, Inc. (the Association) was organized under the laws of the state of New York to provide leadership for the sport of sailing in the United States. The Association works to achieve this mission through a wide range of programs and events, geared towards providing an equal level playing field for all sailors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Association is presented to assist the reader in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The Association's net assets have been broken down into the following three classifications:

Unrestricted

Consist of those amounts that are available for operations and support in carrying out the mission of the Association.

Temporarily Restricted

Consist of those resources that are restricted by donors for specific program activities. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted

Result from contributions from donors who place restrictions on the use of donated funds mandating that the original principal remain invested in perpetuity.

Performance Indicator

In the accompanying statement of activities and change in net assets, the primary indicator of the Association's results is "change in net assets from operations." As such, it includes all support and revenue, and operating expenses. Transactions such as net realized and unrealized gains on investments and releases from restrictions not used for operations are included as a component of non-operating activities on the statement of activities and change in net assets.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less, except those funds which the board has designated for investment.

Accounts, Pledges and Grants Receivable

Accounts and grants receivable are carried at anticipated net realizable value. Pledges receivable are measured based on the present value of their future cash flows. Doubtful accounts are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience and a review of outstanding receivables. A receivable is considered past due if the Association has not received payment within stated terms. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The allowance for doubtful accounts for accounts receivable was \$18,305 and \$21,823 for the years ended December 31, 2015 and 2014, respectively. The allowance for doubtful accounts for pledges and grants receivable was approximately \$25,000 for each of the years ended December 31, 2015 and 2014.

The Association does not accrue interest on receivables.

Inventory

Inventory, consisting primarily of sailing publications and related accessories, are stated at the lower of cost or market on a weighted average basis. Reserves for excess and obsolete inventory are estimated by management based on past usage and anticipated demand. Inventory is recorded net of an allowance for obsolete publications of \$24,000 for each of the years ended December 31, 2015 and 2014.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from three to 10 years.

Other Assets

The Association from time to time publishes books related to sailing and sailing rules. The costs incurred related to these books are capitalized and amortized over the estimated life of the book at the time the books are published.

Deferred Revenue

Deferred revenue represents amounts received by the Association for programs and services not yet provided.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

In accordance with authoritative guidance, each of the Association's fair value measurements is categorized into one of the following three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.

Level 2 - inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Association's own data.

The Association reports investments at fair value on a recurring basis. These investments are classified as levels 1, 2 and 3 within the fair value hierarchy as follows:

Level 1 - investments, owned by the Association and listed on a National Securities Exchange, are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Level 2 - investment values are determined by obtaining non-binding market prices from the Association's third party portfolio managers as of the financial statement reporting date. These investments are less actively traded in the market, but quoted market prices exist for similar instruments that are actively traded.

Level 3 - investment values are provided by the Association's fund managers who develop their valuations using assumptions that market participants would use in pricing the assets and liabilities of the fund. These valuations rely on monthly statements and estimates obtained from the underlying fund managers, which are considered unobservable market inputs in accordance with authoritative guidance.

The Association reports net investment income at each reporting date in the Association's statement of activities and change in net assets as a component of total change in net assets. Dividends and interest are recorded as received. Purchases and sales of securities are recorded on the trade date. In determining gains (losses) realized on the sales of securities, the costs of the securities sold have been determined on a specific identification basis.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Association recognizes contributions in the year in which the pledge is made, measured based on the present value of future cash flows. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor imposed restrictions.

The Association recognizes membership revenue ratably over the term of the membership.

Educational and program revenue is recognized when services have been rendered and/or obligations have been met.

Sponsorship revenue represents support for various sailing events and activities provided by corporate entities. Revenue is recognized as the events and activities occur.

Income Taxes

The Association is a public charity exempt from federal income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. Management believes that the Association operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Association annually files Internal Revenue Service (IRS) Form 990, IRS Form 990-T and various state filings, reporting various information that the IRS and state taxing authorities use to monitor the activities of tax-exempt entities.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2015 and 2014 were \$89,213 and \$40,578, respectively.

Donated Services

The Association utilizes the services of volunteers in carrying out its programs. In accordance with authoritative guidance, the Association recognizes the value of these donated services in the financial statements. The services are valued at rates comparable to independent contractors providing similar services.

Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, management has allocated certain costs among the various programs and supporting services benefited. Personnel and other costs have been allocated based upon actual time spent or usage.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. Receivables consist of amounts due from individuals and businesses derived from sales, grants, and contributions. The Association has not historically experienced significant losses related to receivables.

The Associations' cash and cash equivalents are with several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits. From time to time, the Association had bank balances in excess of federally insured limits.

The Association has a diversified portfolio for all of its investments and retains an investment advisor to attain a prudent level of diversification, and as such, management believes that significant market risks that exist at year-end have been managed to the greatest degree possible.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through November 10, 2016, which is the date these financial statements were available to be issued.

NOTE 3 INVESTMENTS

Investments are presented in the financial statements at their aggregate fair value and consist of the following:

| | 2015 | | | |
|---------------------------------|--------------------|-------------------|-------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Certificates of Deposit | \$ - | \$ 226,852 | \$ - | \$ 226,852 |
| Exchange Traded Funds | 2,788,556 | - | - | 2,788,556 |
| Total Investments at Fair Value | <u>\$2,788,556</u> | <u>\$ 226,852</u> | <u>\$ -</u> | <u>\$3,015,408</u> |
| Cash and Money Markets | | | | 775,347 |
| Total Investments | | | | <u>\$3,790,755</u> |

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 INVESTMENTS (CONTINUED)

| | 2014 | | |
|---------------------------------|--------------------|------------------|--------------------|
| | Level 1 | Level 2 | Level 3 |
| Corporate Bonds | \$ - | \$ 69,997 | \$ - |
| Exchange Traded Funds | 3,122,600 | - | - |
| Total Investments at Fair Value | <u>\$3,122,600</u> | <u>\$ 69,997</u> | <u>\$ -</u> |
| Cash and Money Markets | | | 508,037 |
| Total Investments | | | <u>\$3,700,634</u> |

Investments Held for Short-Term Purposes

Investment income includes \$488 and \$393 of interest and dividends earned on these accounts for the years ended December 31, 2015 and 2014, respectively, as well as \$(13,789) and \$(247) of realized and unrealized gains/(losses) for the years ended December 31, 2015 and 2014, respectively.

Investments Held for Long-Term Purposes

The Association maintains separate accounting for operating, board-designated, and endowment investments (see tables below).

Board-designated investments consist of monies received from the United States Olympic Committee which represent distributions from the surplus generated by the Los Angeles Olympic games which took place in 1984. The intention is to provide for long-term appreciation and stability, and use in perpetuity solely for the support of Olympic sailing, including training and development, organizational overhead and operating expenses. The spending policy in place allows the Olympic Sailing Division (the Division) to request up to 4.5% of the value of the fund determined as of September 30th previous to the budget year in question, to be included in the Division's annual budget.

The Division may make such other requests directly to the board as the Division considers necessary for the good of the Olympic sailing program. The board shall determine if the disbursement is prudent based on considerations of the long-term preservation of the fund, economic conditions, the fund's expected total return, other resources available for the same purpose, the importance of the activity the disbursement will support, and other considerations as deemed appropriate by the board. Approvals of funding requests not taken by the Division by the close of business on December 31st of each budget year shall expire and shall not carry forward to succeeding budget years.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 INVESTMENTS (CONTINUED)

Investments Held for Long-Term Purposes (Continued)

Long-term investment activity for the Association is broken down into four categories and is reflected for the year ended December 31, 2015 as follows:

| | 2015 | | | | |
|---------------------------------------|-------------------|----------------------|---------------------------|-------------------|---------------------|
| | Unrestricted | Board- Designated | Temporarily Restricted | Endowment | Total |
| Investments, December 31, 2014 | \$ 368,302 | \$ 2,557,736 | \$ 173,916 | \$ 103,500 | \$ 3,203,454 |
| Investment Returns: | | | | | |
| Dividends and Interest | 7,892 | 54,267 | 6,021 | - | 68,180 |
| Net Realized and Unrealized Losses | (17,867) | (122,125) | (13,735) | - | (153,727) |
| Investment Management Fees | (1,986) | (20,533) | (2,000) | - | (24,519) |
| Total Investment Return | (11,961) | (88,391) | (9,714) | - | (110,066) |
| Transfers Out | (20,000) | (230,390) | (2,000) | - | (252,390) |
| Investments, December 31, 2015 | <u>\$ 336,341</u> | <u>\$ 2,238,955</u> | <u>\$ 162,202</u> | <u>\$ 103,500</u> | <u>\$ 2,840,998</u> |

Long-term investment activity for the Association is reflected for the year ended December 31, 2014 as follows:

| | 2014 | | | | |
|---------------------------------------|-------------------|----------------------|---------------------------|-------------------|---------------------|
| | Unrestricted | Board- Designated | Temporarily Restricted | Endowment | Total |
| Investments, December 31, 2013 | \$ 382,264 | \$ 2,587,429 | \$ 180,447 | \$ 103,500 | \$ 3,253,640 |
| Investment Returns: | | | | | |
| Dividends and Interest | 8,398 | 57,777 | 6,290 | - | 72,465 |
| Net Realized and Unrealized Losses | 767 | 3,830 | 568 | - | 5,165 |
| | (3,127) | (21,300) | (2,349) | - | (26,776) |
| Total Investment Return | 6,038 | 40,307 | 4,509 | - | 50,854 |
| Transfers Out | (20,000) | (70,000) | (11,040) | - | (101,040) |
| Investments, December 31, 2014 | <u>\$ 368,302</u> | <u>\$ 2,557,736</u> | <u>\$ 173,916</u> | <u>\$ 103,500</u> | <u>\$ 3,203,454</u> |

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 PLEDGES AND GRANTS RECEIVABLE

At year-end, the Associations' contributors have pledged to give \$2,004,690 due through 2024. The present value of pledges receivable has been calculated using the applicable treasury rates ranging from .89% to 2.31%. Promised contributions are due as follows:

| | |
|---|---------------------------|
| Within One Year | \$ 949,833 |
| Due in 2016 and Beyond | <u>1,054,857</u> |
| | 2,004,690 |
| Less: Reserve for Allowance | (25,000) |
| Less: Present Value Component | <u>(13,575)</u> |
| Present Value of Pledges and Grants Receivable, Net | <u><u>\$1,966,115</u></u> |

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | 2015 | 2014 |
|-------------------------------------|---------------------------|---------------------------|
| Leasehold Improvements | \$ 103,667 | \$ 103,667 |
| Furniture and Equipment | 400,049 | 456,097 |
| Computers | 367,429 | 348,316 |
| Boats | 1,060,117 | 832,266 |
| Equipment Held Under Capital Leases | 39,121 | 72,808 |
| Software | 1,106,036 | 726,875 |
| Property and Equipment | <u><u>\$3,076,419</u></u> | <u><u>\$2,540,029</u></u> |

Depreciation and amortization (on software) for the years ended December 31, 2015 and 2014 was \$268,678 and \$332,430, respectively.

Software in the amount of \$300,000 was recorded during the year ended December 31, 2015 which was the result of an exchange transaction. The Association agreed to exchange consideration of an equal value, in the form of sponsorship rights, recognition and privileges to the software provider, in exchange for software development services.

NOTE 6 OTHER ASSETS

As of December 31, 2015 and 2014, publications in process were \$139,243 and \$114,613, respectively. Completed publications as of December 31, 2015 and 2014 were \$411,086 and \$405,056, respectively. Accumulated amortization on the completed publications was \$391,327 and \$315,992 as of December 31, 2015 and 2014, respectively.

Other assets also include inventory of trophies and soft goods designated for certified race officers totaling \$4,654 and \$8,610 as of December 31, 2015 and 2014, respectively

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 LINE OF CREDIT

The Association has an unsecured line of credit with a financial institution providing for maximum borrowings up to \$600,000. Interest is payable at the bank's prime rate (3.50% and 3.25% at December 31, 2015 and 2014, respectively) plus .75%. As part of the agreement, the Association must maintain unrestricted investments of marketable securities including unrestricted cash and liquid investments of no less than \$1,200,000. As of December 31, 2015, management believes the Association is in compliance with this covenant. There were no borrowings against the line as of December 31, 2015 and 2014.

NOTE 8 CAPITAL LEASES

The Association leases office equipment under several capital lease agreements, which expire at various dates through August 2018. The related cost and accumulated depreciation of the assets under lease are as follows:

| | 2015 | 2014 |
|--------------------------------|-----------------|------------------|
| Cost | \$ 39,121 | \$ 72,808 |
| Less: Accumulated Depreciation | (31,816) | (50,912) |
| Net Book Value | <u>\$ 7,305</u> | <u>\$ 21,896</u> |

Future minimum lease payments under these agreements are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---|-----------------|
| 2016 | \$ 9,238 |
| 2017 | 3,389 |
| 2018 | <u>282</u> |
| Total Future Minimum Lease Payments | 12,909 |
| Less: Amount Representing Interest | <u>(2,176)</u> |
| Total Capital Lease Obligation | 10,733 |
| Less: Current Portion of Capital Lease Obligation | <u>(7,396)</u> |
| Capital Lease Obligation, Less Current Portion | <u>\$ 3,337</u> |

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished are as follows:

| | 2015 | 2014 |
|---------------------|--------------------|--------------------|
| Training | \$ 154,048 | \$ 151,364 |
| Inshore | 11,000 | 20,896 |
| Championships | 22,735 | 8,614 |
| Race Administration | 485 | 422 |
| Offshore | 22,759 | - |
| Olympics | 1,535,332 | 930,482 |
| Disabled | 52,912 | 8,553 |
| Total | <u>\$1,799,271</u> | <u>\$1,120,331</u> |

Temporarily Restricted

Temporarily restricted contributions and fundraising revenue were received for the following programs:

| | 2015 | 2014 |
|---------------------|--------------------|--------------------|
| Training | \$ 45,981 | \$ 157,419 |
| Inshore | 407 | 12,552 |
| Championships | 43 | 49,873 |
| Youth Programs | 101,879 | - |
| Offshore | 12,706 | 22,760 |
| Olympics | 2,562,078 | 1,168,823 |
| Disabled | 6,710 | 25,000 |
| Total Contributions | <u>\$2,729,804</u> | <u>\$1,436,427</u> |

Temporarily restricted net assets were available for the following programs:

| | 2015 | 2014 |
|-----------------------------------|--------------------|--------------------|
| Training | \$ 82,637 | \$ 190,703 |
| Inshore | 46,029 | 56,570 |
| Championships | 209,378 | 234,091 |
| Youth Programs | 101,879 | - |
| Race Administration | 7,149 | 7,626 |
| Offshore | 17,689 | 28,059 |
| Olympics | 2,457,617 | 1,438,309 |
| Disabled | 84,491 | 130,692 |
| Temporarily Restricted Net Assets | <u>\$3,006,869</u> | <u>\$2,086,050</u> |

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 ENDOWMENT

The Association's endowment consists of funds established to support operating and program activities. The endowment includes board designated and donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Board-Designated Funds

The Association's board designated funds consist of Olympic windfall funds. These funds do not have any donor-imposed restrictions so the board may choose to spend them at any time. Notwithstanding the absence of donor restrictions, the board has designated these funds for long-term use and has presented them accordingly.

Donor Restricted Funds

Interpretation of Relevant Law - The Rhode Island Uniform Prudent Management of Institutional Funds Act (RI UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-imposed endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by RI UPMIFA.

In accordance with RI UPMIFA, the Association considers the duration and preservation of the fund, the purposes of the Association and the donor-restricted endowment fund, the general economic conditions, the possible effect of inflation and deflation, the expected total return from income and appreciation of investments, other resources of the Association and the investment policies of the Association.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 ENDOWMENT (CONTINUED)

Endowment Funds

Endowment net asset composition by type of fund as of December 31, 2015 and 2014 is as follows:

| | 2015 | | | Total |
|----------------------------------|----------------------|---------------------------|---------------------------|--------------------|
| | Board- Designated | Temporarily Restricted | Permanently Restricted | |
| Olympic Windfall Funds, Income | | | | |
| Designated for General | | | | |
| Operations | \$2,059,546 | \$ - | \$ - | \$2,059,546 |
| Sportsmanship Program | - | 4,983 | 3,500 | 8,483 |
| Gamble Endowment, Income | | | | |
| Available for General Operations | - | 95,878 | 100,000 | 195,878 |
| Total Endowment Funds | <u>\$2,059,546</u> | <u>\$ 100,861</u> | <u>\$ 103,500</u> | <u>\$2,263,907</u> |
| | | | | |
| | 2014 | | | Total |
| | Board- Designated | Temporarily Restricted | Permanently Restricted | |
| Olympic Windfall Funds, Income | | | | |
| Designated for General | | | | |
| Operations | \$2,370,591 | \$ - | \$ - | \$2,370,591 |
| Sportsmanship Program | - | 5,300 | 3,500 | 8,800 |
| Gamble Endowment, Income | | | | |
| Available for General Operations | - | 105,275 | 100,000 | 205,275 |
| Total Endowment Funds | <u>\$2,370,591</u> | <u>\$ 110,575</u> | <u>\$ 103,500</u> | <u>\$2,584,666</u> |

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 ENDOWMENT (CONTINUED)

Change in endowment net assets for the years ended December 31, 2015 and 2014 is as follows:

| | 2015 | | | |
|--------------------------|----------------------|---------------------------|---------------------------|--------------------|
| | Board- Designated | Temporarily Restricted | Permanently Restricted | Total |
| Endowment Net Assets, | | | | |
| Beginning of Year | \$2,370,591 | \$ 110,575 | \$ 103,500 | \$2,584,666 |
| Withdrawal | (229,193) | - | - | (229,193) |
| Investment Return | (81,852) | (9,714) | - | (91,566) |
| Total Funds, End of Year | <u>\$2,059,546</u> | <u>\$ 100,861</u> | <u>\$ 103,500</u> | <u>\$2,263,907</u> |

| | 2014 | | | |
|--------------------------|----------------------|---------------------------|---------------------------|--------------------|
| | Board- Designated | Temporarily Restricted | Permanently Restricted | Total |
| Endowment Net Assets, | | | | |
| Beginning of Year | \$2,403,068 | \$ 116,151 | \$ 103,500 | \$2,622,719 |
| Withdrawal | (70,000) | (9,040) | - | (79,040) |
| Investment Return | 37,523 | 3,464 | - | 40,987 |
| Total Funds, End of Year | <u>\$2,370,591</u> | <u>\$ 110,575</u> | <u>\$ 103,500</u> | <u>\$2,584,666</u> |

Funds with Deficiencies - 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 RI UPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2015 and 2014.

Return Objective and Risk Parameters - The Association has adopted investment 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 Association must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of trustees, the endowment assets are invested with Charles Schwab. The Association relies upon the experience and judgment of Windhaven Investment Management, a subsidiary of Charles Schwab to invest the funds under their direction in a manner as to achieve the established goal. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is in compliance with Global Investment Performance Standards (GIPS®) index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual results in any given year may vary from this amount.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate of return objectives, the Association 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 Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Rule - Spending from the Associations endowment shall be determined by an expenditure rule that smooths the volatility of spending from year to year using a weighted-average formula which takes into account the 16 quarter trailing average of the overall value of the Associations endowment (the "Trailing Average") and the current market value of endowment. Spending for a fiscal year shall be calculated by adding 70% of the 16 quarter Trailing Average, to 30% of the market value of Associations endowment at the end of the preceding quarter, times the spending rate of 4.5%.

NOTE 11 RELATED PARTY TRANSACTIONS

The United States Sailing Foundation (the Foundation) is a separate legal entity that exists to support United States sailing teams competing in international sailing events. The Association does not have a controlling interest in the Foundation, although from time-to-time, officers of the Association may also serve as trustees of the Foundation. Currently, three officers of the Association are also trustees of the Foundation.

Each year, the Foundation provides financial support to various Association programs. The Association provides office space and staff resources to the Foundation for which the Association has elected not to charge as the amounts involved are minimal.

Throughout the years ended December 31, 2015 and 2014, certain members of the board of directors of the Association were paid to provide the following services to the Association:

| | 2015 | 2014 |
|-------------------|-------------------|-------------------|
| Grant Fulfillment | \$ 165,000 | \$ 165,000 |
| Event Speaker | - | 2,206 |
| Total | <u>\$ 165,000</u> | <u>\$ 167,206</u> |

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 PENSION PLAN

The Association maintains an Internal Revenue Code Section 403(b) retirement plan (the Plan) covering substantially all employees employed for ninety days or more. Employees may elect to defer up to 15% of their compensation by contributing to the plan. After two years of employment, the Association matches employee contributions up to 5% of an employee's compensation. The participant is at all times 100% vested in elective deferrals and employer matching contributions. For the years ended December 31, 2015 and 2014, pension plan expense was approximately \$113,091 and \$79,392, respectively.

NOTE 13 COMMITMENTS

The Association has the following commitments:

Operating Lease Commitments

The Association leases its office and storage space under an operating lease that expires November, 2016. The lease is for a 17-month term with two additional successive options for three years each. The Association also leases storage space on a month to month basis. Total rent expense for each of the years ended December 31, 2015 and 2014 was approximately \$118,900.

Approximate aggregate minimum lease payments under this operating lease are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| 2016 | <u>\$ 116,458</u> |

Sponsorship Agreements

The Association has entered into various sponsorship agreements to support its programs, the most significant of which are as follows:

The Association entered into an agreement effective January 1, 2013, whereby Rolex Watch U.S.A., Inc. will provide support to U.S. Sailing programs, totaling approximately \$1,200,000 for the period January 1, 2013 through December 31, 2016. In return, the Association will designate Rolex as the "Premier Sponsor" at various events.

During 2013, the agreement included sponsorship support for the Miami Olympic Classes Regatta event and the International Women's Keelboat Championships of \$50,000 and \$60,000, respectively. In 2014, Rolex had no on site involvement or naming rights regarding those events.

UNITED STATES SAILING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 14 DONATED SERVICES

The Association recognized contribution revenue in 2015 and 2014 for donated services related to the editing and publishing of various instruction books related to learning to sail, adaptive sailing, the Racing Rules of Sailing (RRS), and safety at sea. Contribution revenue from services was measured based on the fair value of those services, and the amounts recognized were \$109,491 and \$49,600 for the years ended December 31, 2015 and 2014, respectively.

NOTE 15 CONDITIONAL GRANT

The Association has received a \$5,000,000 grant with unconditional and conditional components to fund a 10-year strategy to help develop the future sustained success for Olympic athletes. Unconditional grant receivable has been recorded at December 31, 2015 in the amount of \$1,715,000, which is expected to be paid through December 31, 2017. Additional conditional grant funding of \$3,285,000 is expected to be paid from 2018 through 2024, based on meeting conditions within the grant agreement.