

UNITED STATES SAILING ASSOCIATION, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United States Sailing Association, Inc. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United States Sailing Association, Inc. and Subsidiary (a nonprofit organization) (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United States Sailing Association, Inc. and Subsidiary as of December 31, 2019 and 2018, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
United States Sailing Association, Inc. and Subsidiary
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Report on Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 24 - 27 are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating statements have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Emphasis of Matter – Coronavirus

As further discussed in Note 15, the Organization is subject to the current economic and health conditions in the United States, including the coronavirus which was designated as a global pandemic by the World Health Organization on March 11, 2020. Management is currently assessing the impact of these conditions and continues to explore various options to minimize the financial impact, however the ultimate outcome is not known as of the date these consolidated financial statements were available to be issued. Our opinion is not modified with respect to this matter.

Monison, Brown, Agin & Fana

Boca Raton, Florida
July 22, 2020

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	\$ 650,824	\$ 871,191
Restricted cash	14,361	1,619,000
Certificates of deposit	1,398,429	-
Investments	1,039,427	907,471
Accounts receivable, net	101,026	148,253
Unconditional promises to give, net, current portion	904,934	1,355,983
Inventory	154,574	196,126
Prepaid expenses	123,290	115,495
TOTAL CURRENT ASSETS	4,386,865	5,213,519
Restricted cash - for the purchase of property and equipment	392,103	881,000
Unconditional promises to give, net	2,001,385	2,781,829
Restricted investments	249,910	249,910
Other assets, net	162,420	160,817
Property and equipment, net	1,875,551	1,729,110
TOTAL ASSETS	\$ 9,068,234	\$ 11,016,185
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 216,807	\$ 220,230
Accrued expenses	375,697	305,819
Deferred membership revenue, current portion	1,199,763	1,208,528
Deferred program and other revenue	313,147	583,711
Note payable, current portion	54,014	51,406
TOTAL CURRENT LIABILITIES	2,159,428	2,369,694
Deferred membership revenue, less current portion	176,866	349,189
Note payable, less current portion	91,616	145,485
TOTAL LIABILITIES	2,427,910	2,864,368
NET ASSETS		
Without donor restrictions	1,157,901	935,725
With donor restrictions	5,482,423	7,216,092
TOTAL NET ASSETS	6,640,324	8,151,817
TOTAL LIABILITIES AND NET ASSETS	\$ 9,068,234	\$ 11,016,185

The accompanying notes are an integral part of these consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES						
Membership dues	\$ 2,145,559	\$ -	\$ 2,145,559	\$ 2,145,690	\$ -	\$ 2,145,690
Educational and program activities	2,681,754	-	2,681,754	2,662,175	-	2,662,175
Sponsorship agreements	1,757,934	-	1,757,934	1,074,448	-	1,074,448
U.S. Olympic committee support	1,384,200	-	1,384,200	1,425,000	-	1,425,000
Contributions	1,238,391	415,923	1,654,314	2,184,326	3,439,300	5,623,626
Federal, state and local grants	197,858	-	197,858	312,491	-	312,491
Other	52,076	-	52,076	58,529	-	58,529
Investment gain (loss), net	114,513	61,890	176,403	(66,889)	(10,053)	(76,942)
Net assets released from restrictions	2,211,482	(2,211,482)	-	993,675	(993,675)	-
TOTAL PUBLIC SUPPORT AND REVENUES	11,783,767	(1,733,669)	10,050,098	10,789,445	2,435,572	13,225,017
EXPENSES						
Program services	9,620,378	-	9,620,378	9,861,637	-	9,861,637
Management and general	1,481,855	-	1,481,855	1,413,198	-	1,413,198
Fundraising	459,358	-	459,358	545,457	-	545,457
TOTAL EXPENSES	11,561,591	-	11,561,591	11,820,292	-	11,820,292
CHANGE IN NET ASSETS	222,176	(1,733,669)	(1,511,493)	(1,030,847)	2,435,572	1,404,725
NET ASSETS AT BEGINNING OF YEAR	935,725	7,216,092	8,151,817	1,966,572	4,780,520	6,747,092
NET ASSETS AT END OF YEAR	\$ 1,157,901	\$ 5,482,423	\$ 6,640,324	\$ 935,725	\$ 7,216,092	\$ 8,151,817

The accompanying notes are an integral part of these consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,511,493)	\$ 1,404,725
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	542,421	593,875
Bad debt expense	145,163	118,750
Realized and unrealized (gains) losses on investments	(119,502)	98,946
Deferred rent receivable	(50,990)	(67,988)
Accretion of pledge discount	(126,874)	(116,097)
Gain on disposal of property and equipment	(5,565)	(46,100)
Contributions received to purchase property and equipment	-	(881,000)
Decrease (increase) in:		
Accounts receivable	22,064	28,131
Unconditional promises to give	1,238,367	(12,800)
Inventory	41,552	71,936
Prepaid expenses	(7,795)	176,699
Other assets	49,387	(18,662)
(Decrease) increase in:		
Accounts payable	(3,423)	(291,415)
Accrued expenses	69,878	(255,823)
Deferred membership, program and other revenue	(451,652)	431,754
TOTAL ADJUSTMENTS	1,343,031	(169,794)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(168,462)	1,234,931
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(1,398,429)	-
Purchases of property and equipment	(683,297)	(152,783)
Proceeds from the sale of property and equipment	-	67,500
Proceeds from the sale of investments	1,068,478	-
Purchases (sales) of investments	(1,080,932)	1,462,399
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(2,094,180)	1,377,116
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from line of credit	-	1,358,236
Repayments to line of credit	-	(1,858,236)
Principal payments to note payable	(51,261)	(48,627)
Contributions received to purchase property and equipment	-	881,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(51,261)	332,373
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,313,903)	2,944,420
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) - BEGINNING OF YEAR	3,371,191	426,771
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) - END OF YEAR	\$ 1,057,288	\$ 3,371,191
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 650,824	\$ 871,191
Restricted cash	14,361	1,619,000
Restricted cash - for the purchase of property and equipment	392,103	881,000
CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ 1,057,288	\$ 3,371,191
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 9,192	\$ 31,901

The accompanying notes are an integral part of these consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Education	Membership Services	Competition Services	Adult Programs	Youth Programs	Olympic	Total	Management and General	Fundraising	Total
Salaries and Benefits										
Salaries and wages	\$ 358,274	\$ 623,545	\$ 310,636	\$ 232,394	\$ 377,464	\$ 1,043,675	\$ 2,945,988	\$ 950,870	\$ 203,591	\$ 4,100,449
Payroll taxes and other benefits	58,971	94,093	40,756	42,021	48,657	150,864	435,362	206,019	24,769	666,150
Total Salaries and Benefits	417,245	717,638	351,392	274,415	426,121	1,194,539	3,381,350	1,156,889	228,360	4,766,599
Operating Expenses										
Advertising	868	49,606	-	7,992	-	100	58,566	-	1,977	60,543
Bad debt expense	-	-	-	-	-	4,892	4,892	140,271	-	145,163
Coach & Instruction fees	-	-	4,680	37,721	262,460	547,657	852,518	-	-	852,518
Computers & Software	6,639	58,265	6,110	23,256	53,130	26,353	173,753	5,244	31,787	210,784
Credit card fees	5,489	6,119	22,758	23,906	22,964	9,339	90,575	14,006	16,752	121,333
Dues & Subscriptions	6,953	29,292	5,142	4,813	5,549	47,285	99,034	2,768	3,610	105,412
Equipment rental	7,704	47,774	8,109	7,264	30,516	294,326	395,693	4,577	3,841	404,111
Filing fees & other	950	12	12	13	2,211	5,395	8,593	-	6,630	15,223
Grants	40,000	4,810	-	3,200	2,300	11,300	61,610	-	49,387	110,997
Insurance	18,482	36,450	7,492	15,087	15,842	82,899	176,252	7,921	8,594	192,767
Interest	1,285	2,476	1,105	646	1,105	1,559	8,176	554	462	9,192
Logistics	60	11,302	27	3,704	622	347,487	363,202	74	4	363,280
Merchandise and publications	1,974	15,585	149,448	127,436	92,769	744	387,956	622	1,358	389,936
Multimedia	6,919	12,818	225	3,268	800	18,591	42,621	-	370	42,991
Occupancy	17,121	40,928	16,682	15,480	16,708	71,634	178,553	22,292	8,092	208,937
Postage	1,937	45,263	19,599	37,179	88,144	8,682	200,804	1,833	8,471	211,108
Printing and stationery	1,774	106,395	1,308	1,098	5,492	5,086	121,153	482	17,512	139,147
Professional fees	39,990	152,696	20,381	39,750	38,284	275,505	566,606	26,660	27,893	621,159
Registration and event fees	11,765	134,659	2,241	29,479	27,649	123,581	329,374	3,561	968	333,903
Research and development	-	-	-	-	-	215,413	215,413	-	-	215,413
Sponsorship expense	-	48,000	-	-	-	225,074	273,074	1,500	-	274,574
Telephone	5,767	10,752	5,052	5,348	6,647	24,521	58,087	3,718	3,136	64,941
Travel	48,900	102,201	20,452	48,703	163,618	693,959	1,077,833	65,016	16,290	1,159,139
Total Operating Expenses	224,577	915,403	290,823	435,343	836,810	3,041,382	5,744,338	301,099	207,134	6,252,571
Depreciation and Amortization	23,867	47,734	23,867	23,867	185,508	189,847	494,690	23,867	23,864	542,421
Total Expenses	\$ 665,689	\$ 1,680,775	\$ 666,082	\$ 733,625	\$ 1,448,439	\$ 4,425,768	\$ 9,620,378	\$ 1,481,855	\$ 459,358	\$ 11,561,591

The accompanying notes are an integral part of these consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Education	Membership Services	Competition Services	Adult Programs	Youth Programs	Olympic	Total	Management and General	Fundraising	Total
Salaries and Benefits										
Salaries and wages	\$ 388,526	\$ 580,037	\$ 300,465	\$ 230,803	\$ 274,625	\$ 1,143,677	\$ 2,918,133	\$ 744,916	\$ 287,240	\$ 3,950,289
Payroll taxes and other benefits	58,620	105,264	43,092	44,831	44,356	120,265	416,428	138,886	80,519	635,833
Total Salaries and Benefits	447,146	685,301	343,557	275,634	318,981	1,263,942	3,334,561	883,802	367,759	4,586,122
Operating Expenses										
Advertising	28,188	60,748	112	1,730	176	3,100	94,054	2,383	-	96,437
Bad debt expense	-	-	-	600	-	39,810	40,410	63,355	-	103,765
Coach & Instruction fees	-	-	-	43,255	272,159	529,833	845,247	-	-	845,247
Computers & Software	5,348	60,184	7,918	21,854	40,958	42,954	179,216	40,924	22,166	242,306
Credit card fees	-	2,711	24,142	22,743	24,699	10,498	84,793	44,916	1,711	131,420
Dues & Subscriptions	7,007	28,557	4,976	4,472	7,488	22,752	75,252	5,965	-	81,217
Equipment rental	14,334	44,730	7,675	7,430	20,651	344,258	439,078	27,138	5,284	471,500
Filing fees & other	-	1,709	25	25	-	79	1,838	9,605	6,620	18,063
Grants	106,300	4,992	-	-	2,325	110,555	224,172	-	31,586	255,758
Insurance	16,148	31,142	7,250	13,182	13,841	76,701	158,264	18,529	7,250	184,043
Interest	-	-	-	-	-	-	-	31,901	-	31,901
Logistics	190	36,661	-	7,360	1,940	319,408	365,559	9,364	1,920	376,843
Merchandise and publications	11,988	20,879	148,781	127,044	62,591	1,575	372,858	4,469	804	378,131
Multimedia	25,860	21,027	1,580	20,060	-	15,085	83,612	499	597	84,708
Occupancy	12,009	30,003	12,008	11,997	12,008	31,260	109,285	28,410	6,003	143,698
Postage	4,482	108,328	23,695	40,782	93,674	5,355	276,316	-	-	276,316
Printing and stationery	9,915	132,270	491	2,116	9,848	15,771	170,411	8,935	5,625	184,971
Professional fees	102,270	107,676	28,034	17,956	30,932	219,735	506,603	2,745	16,210	525,558
Registration and event fees	13,206	163,688	674	52,011	38,390	66,154	334,123	123,836	15,191	473,150
Research and development	-	-	-	-	-	202,198	202,198	18,036	5,204	225,438
Sponsorship expense	-	16,544	-	-	20,589	158,425	195,558	-	-	195,558
Telephone	6,056	15,673	6,181	4,543	5,530	24,307	62,290	5,722	1,636	69,648
Travel	146,757	88,284	27,498	50,908	160,845	690,033	1,164,325	56,533	23,761	1,244,619
Total Operating Expenses	510,058	975,806	301,040	450,068	818,644	2,929,846	5,985,462	503,265	151,568	6,640,295
Depreciation and Amortization	26,130	52,263	26,131	26,131	203,104	207,855	541,614	26,131	26,130	593,875
Total Expenses	\$ 983,334	\$ 1,713,370	\$ 670,728	\$ 751,833	\$ 1,340,729	\$ 4,401,643	\$ 9,861,637	\$ 1,413,198	\$ 545,457	\$ 11,820,292

The accompanying notes are an integral part of these consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. GENERAL

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.

United States Sailing Foundation (the "Foundation") is actively committed to the advancement of the Association through the development of resources, financial and otherwise, for the Association campaigns, programs, initiatives, efforts, and activities. As a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code ("IRC") of 1986, as amended, the Foundation shall provide support, financial and otherwise, to the benefit of the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Association and the Foundation (collectively referred to as the "Organization"). As such, the Organization eliminates any intercompany balances and intercompany income and expense in the consolidation process.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting standards issued by the Financial Accounting Standards Board ("FASB"). Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, such as membership dues and educational and program activities.

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor imposed restrictions are perpetual in nature.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Cash and Cash Equivalents

The Organization considers items with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents funds held for donor restricted purposes, specifically the Siebel Community Sailing Race program and Tokyo Olympics. As of December 31, 2019, and 2018, the Organization held restricted cash of \$14,361, and \$1,619,000, respectively.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash – For Purchase of Property and Equipment

U.S. GAAP requires cash received with a donor-imposed restriction for the purchase of property and equipment to be classified separately from cash that is unrestricted and available for current use. As of December 31, 2019, and 2018, the Organization had approximately \$392,000 and \$881,000, respectively, of cash restricted for the purpose of property and equipment for the Siebel Community Sailing Race program.

Certificates of Deposit

The Organization maintains certificates of deposit with a financial institution. The Organization reports its certificates of deposit at cost, which is not materially different than fair value. The certificates of deposit have interest rates ranging from (2.47 to 2.71%) and mature within the year ending December 31, 2020. The certificates of deposit are restricted for the Siebel Community Sailing Race program.

Investments

At December 31, 2019, the Organization's investments are held and administered by the United States Olympic Endowment ("USOE") in a pooled account. The pooled account includes investments in a variety of mutual funds, debt securities, equities, and alternative investments. These investments are carried at net asset value ("NAV"). At December 31, 2018, the Organization's Investments were held with third party brokers and consisted of mutual funds and exchange traded funds with readily determinable fair values (NOTE 5). Realized and unrealized gains and losses on investments and restricted investments are reflected in the Consolidated Statements of Activities within "Investment gain (loss), net." Realized gains and losses are reported at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are reported for the change in fair value between reporting periods. Interest and dividend income is reported when earned. Investment income (loss) that is limited to specific uses by donor restrictions is reported as increases (decreases) in net assets without donor restrictions if the restrictions are met in the same reporting period as the income (loss) is recognized.

Accounts Receivable, Net

Accounts receivable, net are carried at anticipated net realizable value. The Organization's allowance for doubtful accounts is based on management's estimates of current economic conditions and historical information, and, in the opinion of management, is believed to be an amount sufficient to respond to normal business conditions. In estimating the allowance, management analyzes the accounts receivable aging, historical bad debts, and other factors. The Organization reviews its receivables aging on a regular basis to determine if any of the receivables are past due. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization's allowance for doubtful accounts on accounts receivable were approximately \$31,000 and \$13,000 at December 31, 2019 and 2018, respectively. The Organization incurred bad debt expense related to accounts receivable for the year ended December 31, 2019 of approximately \$25,000. The Organization did not have bad debt expense during the year ended December 31, 2018.

Inventory

Inventory, consisting primarily of sailing publications, clothing and other related accessories, are stated at the lower of cost or net realizable value. Write-downs in inventory value depends on various items, including factors related to customer demand, new publications of sailing materials and economic conditions. Whenever inventory is written down, a new cost basis is established and the inventory is not subsequently written up if market conditions improve. If customer demand for the Organization's inventory is substantially less than its estimates, inventory write-downs may be required, which could have a material adverse effect on the consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment, net are carried at cost if purchased or, if donated, at fair value on the date of the donation net of accumulated depreciation and amortization, except for artwork, which is carried at cost. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of assets. Leasehold improvements are stated at cost less accumulated amortization, provided on the straight-line basis over the shorter of the lease term or estimated life of the asset. The estimated lives used in determining depreciation and amortization are:

Leasehold improvements	Shorter of useful life or lease term
Furniture and equipment	3 – 10 years
Vehicles, boats and trailers	3 – 6 years
Computer equipment and software	3 – 10 years

If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, the contributions are recorded as unrestricted support.

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected as an increase or decrease in net assets without donor restrictions.

Long-Lived Assets

The Organization reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the years ended December 31, 2019 and 2018.

Prepaid Expenses

Prepaid expenses primarily represent amounts paid in advance for insurance and events that benefit future periods.

Other Assets, Net

Publication Costs

The Organization, 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 books at the time the books are published. At December 31, 2019 and 2018 the Organization had approximately \$46,000 and \$93,000 respectively of unamortized publication costs which are reflected in the caption "Other assets, net" in the accompanying Consolidated Statements of Financial Position. Amortization expense for the years ended December 31, 2019 and 2018 were approximately \$46,000 and \$49,000, respectively, which is reflected in the caption "Depreciation and Amortization" in the accompanying Consolidated Statements of Functional Expenses.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets, Net (Continued)

Deferred Rent Receivable

The Organization recognizes rent expense on a straight-line basis when the lease contains predetermined minimum rentals over the life of the lease. The Organization currently leases its office space from a third party (NOTE 14) and will pay annual rent of \$153,000 for the first fourteen years of the lease. After the initial term the Organization will have the option to extend the lease for an additional seven years and will pay annual rent of \$0 for that period. At December 31, 2019 and 2018, the Organization has a deferred rent receivable balance of approximately \$119,000 and \$68,000, respectively, as a result of this lease which is reflected in the caption "Other assets, net" in the accompanying Consolidated Statements of Financial Position.

Deferred Membership, Program and Other Revenue

Deferred membership, program and other revenue represents amounts received by the Organization for programs and services not yet provided and for membership income not yet earned.

Revenue Recognition

The Organization is dependent upon public and governmental support for its operations. The amount and timeliness in which the support from fundraising events and governmental agencies is collected is essential to meet the normal cash flow needs of the Organization.

Contribution Revenue and Unconditional Promises to Give

The Organization accounts for contributions in accordance with the provisions of an accounting standard issued by the FASB. In accordance with this standard, contributed goods and services, which meet certain criteria, are recorded as contributions at their estimated fair value at date of receipt. Contributions received are recorded as assets without donor restrictions or assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period they are received are reported as net assets without donor restrictions.

Unconditional promises to give are carried at their net realizable value. Multi-year promises are discounted using a fair market rate and reported at their net present value. The allowance for uncollectible unconditional promises to give is based on the Organization's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debt expense related to unconditional promises to give for the years ended December 31, 2019 and 2018 were approximately \$120,000 and \$119,000, respectively.

Membership Dues

Membership dues are received at the beginning of the membership and the Organization recognizes membership revenue ratably over the term of the membership.

Educational and Program Revenue

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

Sponsorship Agreements

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

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In-kind Contributions

The Organization records the value of donated goods and services when there is an objective basis available to measure the value. Donated items are reflected as support in the accompanying consolidated financial statements at their fair market values at date of receipt. During the years ended December 31, 2019 and 2018 the Organization received approximately \$148,000 and \$324,000, respectively, of in-kind contributions which consisted mainly of sailing gear and related accessories.

Grants

The Organization receives grant funds from various social and governmental agencies. The amounts received under these grants are designated for specific purposes by the granting agencies. Grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the unit of service has been performed. The Organization records advances at the start of each grant as a liability. Revenues and expenses, which are treated as reciprocal transactions, are recognized as the costs are incurred. Grant receivables at year end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency.

Contributed Services

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fundraising campaigns and management that do not meet the criteria of specialized skills for consolidated financial statement recognition.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among the program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2019 and 2018 were approximately \$61,000 and \$96,000, respectively.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. IRC. Accordingly, no provision for income tax expense was recorded.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and the State of Rhode Island jurisdiction are the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2016.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The Organization depends heavily on contributions and grants for its revenue. The ability of certain contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Organization. While the Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Concentrations of Credit Risk

During each of the years ended December 31, 2019 and 2018, the Organization received grants from the United States Olympic committee which made up approximately 11% of its total revenue. If a significant reduction in the level of funding were to occur, it would have an adverse effect on the Organization's ability to continue operating the programs and services being provided. Management is not aware of any plans for significant reductions in the level of funding for the next fiscal year.

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and unconditional promises to give. The majority of the Organization's cash balance is in non-interest bearing accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times cash balances may exceed the FDIC coverage insurance limit. The Organization has not experienced any losses in such accounts.

The Organization invests in marketable exchange traded funds and mutual funds, which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual funds. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Organization has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Concentration of credit risk with respect to unconditional promises to give relates to one donor who represented approximately 73% and 62% of total unconditional promises to give as of December 31, 2019 and 2018, respectively.

Adopted Accounting Pronouncements

Classification of Certain Cash Receipts and Cash Payments

During the year ended December 31, 2019, the Organization adopted Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments. The update provides guidance to reduce diversity in practice on eight specific statement of cash flows issues. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

Accounting Guidance for Contributions Received and Contributions Made

During the year ended December 31, 2019, the Organization adopted Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as an exchange transaction and determining whether a contribution is conditional or not. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements (Continued)

Restricted Cash

In November 2016, the FASB issued an accounting standard update with amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2019 and in interim periods in annual periods beginning after December 15, 2020. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Organization is currently evaluating the effect the update will have on its consolidated financial statements. The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

Fair Value Measurement

In August 2018, the FASB issued an accounting standard update that removes certain disclosures related to transfers between hierarchy levels and adds certain disclosures related to Level 3 investments. The update also changes certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted. The Organization is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Reclassifications

Certain items in the 2018 consolidated financial statements were reclassified to conform to the 2019 presentation.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through July 22, 2020, which is the date these consolidated financial statements were available to be issued.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its consolidated financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Organization monitors and maintains a cash float to cover general operating expenditures as well as establish a strict budget. The Organization also has a line of credit available with borrowing capacity of up to \$500,000 which can be used to meet general expenditures within a year (NOTE 8).

The Organization's financial assets available within the next year of the Consolidated Statements of Financial Position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 650,824	\$ 871,191
Restricted cash	14,361	1,619,000
Certificates of deposits	1,398,429	-
Investments	1,039,427	907,471
Accounts receivable, net	101,026	148,253
Unconditional promises to give, net, current portion	904,934	1,355,983
Total current financial assets	<u>4,109,001</u>	<u>4,901,898</u>
Less: amounts unavailable for general expenditures within one year due to:		
Net assets restricted by donors for specific purposes and programs **	2,839,025	3,261,353
Less: amounts unavailable to management without		
Board approval		
Board designated - endowment	182,746	172,553
Board designated - other	199,941	204,872
	<u>\$ 887,289</u>	<u>\$ 1,263,120</u>

** - Unconditional promises to give expected to be collected within one year that are not subject to donor restrictions for specific purposes and programs are included in the Organization's consolidated financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditures.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

4. INVESTMENTS AND RESTRICTED INVESTMENTS

Investments and restricted investments consist of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Investments held and administered by the United States Olympic Committee	\$ 1,289,337	\$ -
Exchange traded funds	-	1,063,391
Mutual funds	-	93,990
	<u>\$ 1,289,337</u>	<u>\$ 1,157,381</u>

The investments held at the USOE consist of investments held and administered by the USOE in a pooled account. The pooled account includes investments in a variety of mutual funds, debt securities, equities, and alternative investments and are carried at NAV. The investments valued at NAV have no unfunded commitments at December 31, 2019. Additionally, there are no explicit restrictions on the redemptions of such investments.

Investment gain (loss), net from cash and cash equivalents and investments is comprised of the following for the years ended December 31,:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 61,149	\$ 39,853
Net realized and unrealized gains (losses)	119,502	(98,946)
Investment management fees	(4,248)	(17,849)
	<u>\$ 176,403</u>	<u>\$ (76,942)</u>

5. FAIR VALUE MEASUREMENTS

The FASB establishes a framework for measuring fair value. That framework provides 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 under the FASB Accounting Standards Codification 820 are described as follows:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 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;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

5. FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's 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.

The following is a description of the valuation methodologies used for assets measured at fair value;

Exchange traded funds and mutual funds – The fair value is based on the quoted share of the market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at December 31, 2018, respectively, for each of the fair value hierarchy levels:

Description	12/31/2018	Fair Value Measurements at December 31, 2018		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Exchange traded funds	\$ 1,063,391	\$ 1,063,391	\$ -	\$ -
Mutual funds	93,990	93,990	-	-
	\$ 1,157,381	\$ 1,157,381	\$ -	\$ -

6. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give, net consist of the following at December 31,:

	2019	2018
Due in less than one year	\$ 904,934	\$ 1,355,983
Due in one to five years	2,292,065	3,199,383
Total promises to give	3,196,999	4,555,366
Less:		
Allowance for doubtful accounts	(45,000)	(45,000)
Discount for the effects of present value	(245,680)	(372,554)
	\$ 2,906,319	\$ 4,137,812

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

6. UNCONDITIONAL PROMISES TO GIVE, NET (CONTINUED)

The present value of the unconditional promises to give have been calculated using discount rates ranging from 2.91% to 5.75% at December 31, 2019 and 2018.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 31,538	\$ 31,250
Furniture and equipment	348,504	348,504
Vehicles, boats and trailers	1,833,104	1,253,779
Computer equipment and software	2,269,654	2,220,957
Artwork	29,378	29,378
	<u>4,512,178</u>	<u>3,883,868</u>
Less accumulated depreciation and amortization	<u>(2,636,627)</u>	<u>(2,154,758)</u>
	<u>\$ 1,875,551</u>	<u>\$ 1,729,110</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was approximately \$496,000 and \$545,000 respectively.

8. LINE OF CREDIT

The Organization has a line of credit with a financial institution providing for maximum borrowings up to \$500,000. Interest is payable at the bank's prime rate plus 1.50% (6.25% and 7.00% at December 31, 2019 and 2018, respectively). The line of credit is collateralized by substantially all inventory and property and equipment. There was no interest expense for the year ended December 31, 2019. Interest expense incurred on the line of credit for the year ended December 31, 2018 was approximately \$20,000. As of December 31, 2019 and 2018, there were no outstanding balance due on the line of credit. The line of credit is due on demand.

9. NOTE PAYABLE

The Organization has a note payable agreement for an original amount of \$265,000 at an interest rate of 5.21% for five years, with payments due monthly. The collateral for this loan is all inventory and property and equipment. The note payable amounted to approximately \$146,000 and \$197,000 as of December 31, 2019 and 2018 respectively. Interest expense incurred on the note payable during the years ended December 31, 2019 and 2018 was approximately \$9,000 and \$12,000, respectively.

Future payments under this agreement as of December 31, 2019 are as follows:

<u>Years ending December 31,</u>	
2020	\$ 54,014
2021	56,896
2022	<u>34,720</u>
Total	<u>\$ 145,630</u>

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Net assets without restrictions - undesignated	\$ 775,214	\$ 558,300
Net assets without restrictions - board designated endowment	182,746	172,553
Net assets without restrictions - board designated other	199,941	204,872
	<u>\$ 1,157,901</u>	<u>\$ 935,725</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Restricted by donors for specific purposes and programs	\$ 2,326,194	\$ 2,828,370
Unconditional promises to give with donor purpose restrictions	2,906,319	4,137,812
Endowed in perpetuity	249,910	249,910
	<u>\$ 5,482,423</u>	<u>\$ 7,216,092</u>

12. ENDOWMENT

The Organization'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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization'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.

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 Organization classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the RI UPMIFA., and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. ENDOWMENT (CONTINUED)

The Organization 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 Organization 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 Organization
- (7) The investment policy of the Organization

For the years ended December 31, 2019 and 2018, the Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Net Assets at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 346,206	\$ 346,206
Board-designated endowment funds	182,746	-	182,746
Total endowment net assets	\$ 182,746	\$ 346,206	\$ 528,952

Summary of Endowment Net Assets at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 370,682	\$ 370,682
Board-designated endowment funds	172,553	-	172,553
Total endowment net assets	\$ 172,553	\$ 370,682	\$ 543,235

Change in Endowment Net Assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 172,553	\$ 370,682	\$ 543,235
Investment income, net	10,193	33,027	43,220
Release from restriction and appropriated for expenditure	-	(57,503)	(57,503)
Endowment Net Assets, End of Year	\$ 182,746	\$ 346,206	\$ 528,952

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

12. ENDOWMENT (CONTINUED)

Change in Endowment Net Assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 1,299,947	\$ 389,060	\$ 1,689,007
Investment loss, net	(31,238)	(5,787)	(37,025)
Release from restriction and appropriated for expenditure	(1,096,156)	(12,591)	(1,108,747)
Endowment Net Assets, End of Year	<u>\$ 172,553</u>	<u>\$ 370,682</u>	<u>\$ 543,235</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 Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

Return Objective and Risk Parameters

The Organization 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 Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested with the USOE. The Organization 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization 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 Organization 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 Policy and How the Investment Objectives Relate to Spending Policy

The Organization's Board approves all spending of the Board-designated Endowment Fund when required to support the operations of the Organization. Income from donor-restricted investments may only be used in furtherance of its exempt purposes retaining the principal within the Organization as an endowment. Income is defined as the total return derived from capital, including the net of realized and unrealized appreciation and depreciation. All money or other property received as interest or as dividends on corporate shares shall be deemed income. Income not expended in a year may be accumulated and added to principal or held as undistributed income for future distribution, absent donor stipulation to the contrary.

13. EMPLOYEE BENEFIT PLAN

The Organization has a 403(b) retirement plan, which is available to full time and part-time employees. Employees are eligible to participate at their hire date. After two years of employment, the Organization matches employee contributions up to 5% of an employee's compensation. Total contribution expense for the years ended December 31, 2019 and 2018 were approximately \$114,000 and \$108,000, respectively.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

14. COMMITMENTS

Operating Leases

The Organization leases its office space under an operating lease which expires in August 2038. The initial lease term is for 14 years with an option to extend for an additional seven years which the Organization anticipates it will exercise. The Organization also leases storage space on a month-to-month basis. The Organization recognizes rent expense on a straight-line basis when the lease contains predetermined minimum rentals over the life of the lease (NOTE 1). Total rent expense for the years ended December 31, 2019 and 2018 was approximately \$102,000 and \$97,000 respectively, and is included within the caption "Occupancy" in the accompanying Consolidated Statements of Functional Expenses.

Approximate aggregate minimum lease payments under these operating leases as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 153,000
2021	153,000
2022	153,000
2023	153,000
2024	153,000
Thereafter	<u>1,020,000</u>
Total	<u>\$ 1,785,000</u>

Litigation, Claims, and Assessments

In the ordinary course of business, the Organization is exposed to various claims, threats, and legal proceedings, some of which are initiated by the Organization. In management's opinion, the outcome of all such existing matters will not have a material impact on the Organization's consolidated financial position and consolidated results of operations.

15. SUBSEQUENT EVENTS

Since January 2020, the coronavirus (COVID-19) outbreak has caused substantial disruption in international and US economies and markets. The coronavirus and fear of further spread of the coronavirus has caused quarantines, cancellation of events and travel, business and school shutdown, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak a pandemic. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020, in the United States. Due to the recent enactment of this legislation, the Organization continues to assess the potential impacts of this legislation on its consolidated financial position and results of operations. As of the date these financials were available to be issued, management is evaluating the potential adverse effect this matter will have on its financial position, operations and cash flows. While the ultimate outcome of this uncertainty is unknown at this time, it is reasonably possible the impact may be materially adverse.

On April 16, 2020, the Organization executed a loan of approximately \$810,000 under the Paycheck Protection Program ("PPP") authorized by the CARES Act that was signed into law on March 27, 2020. The loan begins accruing interest at a rate of 1.00% on the effective date. Seven months after the executed date principal payments and accrued interest are due in equal installments over the remaining loan period. The loan matures on April 16, 2022. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the Organization retains employees during a specified period. Management estimates that a substantial portion of the loan funds will be eligible for forgiveness.

SUPPLEMENTAL SCHEDULES

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
CURRENT ASSETS:				
Cash and cash equivalents	\$ 201,415	\$ 449,409	\$ -	\$ 650,824
Restricted cash	12,500	1,861	-	14,361
Certificates of deposit	-	1,398,429	-	1,398,429
Investments	879,293	160,134	-	1,039,427
Accounts receivable, net	101,026	-	-	101,026
Unconditional promises to give, net, current portion	879,184	25,750	-	904,934
Inventory	154,574	-	-	154,574
Prepaid expenses	123,290	-	-	123,290
TOTAL CURRENT ASSETS	2,351,282	2,035,583	-	4,386,865
Restricted cash - for the purchase of property and equipment	-	392,103	-	392,103
Unconditional promises to give, net	1,979,575	21,810	-	2,001,385
Restricted investments	103,500	146,410	-	249,910
Other assets, net	162,420	-	-	162,420
Property and equipment, net	1,875,551	-	-	1,875,551
TOTAL ASSETS	\$ 6,472,328	\$ 2,595,906	\$ -	\$ 9,068,234
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 208,150	\$ 8,657	\$ -	\$ 216,807
Accrued expenses	375,697	-	-	375,697
Deferred membership revenue, current portion	1,199,763	-	-	1,199,763
Deferred program and other revenue	313,147	-	-	313,147
Note payable, current portion	54,014	-	-	54,014
TOTAL CURRENT LIABILITIES	2,150,771	8,657	-	2,159,428
Deferred membership revenue, less current portion	176,866	-	-	176,866
Note payable, less current portion	91,616	-	-	91,616
TOTAL LIABILITIES	2,419,253	8,657	-	2,427,910
NET ASSETS				
Without donor restrictions	657,134	500,767	-	1,157,901
With donor restrictions	3,395,941	2,086,482	-	5,482,423
TOTAL NET ASSETS	4,053,075	2,587,249	-	6,640,324
TOTAL LIABILITIES AND NET ASSETS	\$ 6,472,328	\$ 2,595,906	\$ -	\$ 9,068,234

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
CURRENT ASSETS:				
Cash and cash equivalents	\$ 310,462	\$ 560,729	\$ -	\$ 871,191
Restricted cash	-	1,619,000	-	1,619,000
Investments	802,410	105,061	-	907,471
Accounts receivable, net	148,253	-	-	148,253
Unconditional promises to give, net, current portion	1,312,733	43,250	-	1,355,983
Inventory	196,126	-	-	196,126
Prepaid expenses	115,495	-	-	115,495
TOTAL CURRENT ASSETS	2,885,479	2,328,040	-	5,213,519
Restricted cash - for the purchase of property and equipment	-	881,000	-	881,000
Unconditional promises to give, net	2,700,826	81,003	-	2,781,829
Restricted investments	103,500	146,410	-	249,910
Other assets, net	160,817	-	-	160,817
Property and equipment, net	1,729,110	-	-	1,729,110
TOTAL ASSETS	\$ 7,579,732	\$ 3,436,453	\$ -	\$ 11,016,185
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 220,230	\$ -	\$ -	\$ 220,230
Accrued expenses	305,819	-	-	305,819
Deferred membership revenue, current portion	1,208,528	-	-	1,208,528
Deferred program and other revenue	583,711	-	-	583,711
Note payable, current portion	51,406	-	-	51,406
TOTAL CURRENT LIABILITIES	2,369,694	-	-	2,369,694
Deferred membership revenue, less current portion	349,189	-	-	349,189
Note payable, less current portion	145,485	-	-	145,485
TOTAL LIABILITIES	2,864,368	-	-	2,864,368
NET ASSETS				
Without donor restrictions	324,040	611,685	-	935,725
With donor restrictions	4,391,324	2,824,768	-	7,216,092
TOTAL NET ASSETS	4,715,364	3,436,453	-	8,151,817
TOTAL LIABILITIES AND NET ASSETS	\$ 7,579,732	\$ 3,436,453	\$ -	\$ 11,016,185

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS				
Membership dues	\$ 2,145,559	\$ -	\$ -	\$ 2,145,559
Educational and program activities	2,681,754	-	-	2,681,754
Sponsorship agreements	1,757,934	-	-	1,757,934
U.S. Olympic committee support	1,384,200	-	-	1,384,200
Contributions	2,026,077	229,925	(1,017,611)	1,238,391
Federal, state and local grants	197,858	-	-	197,858
Other	52,076	-	-	52,076
Investment loss, net	64,461	50,052	-	114,513
Net assets released from restrictions	1,369,203	842,279	-	2,211,482
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	11,679,122	1,122,256	(1,017,611)	11,783,767
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS				
Contributions	331,567	84,356	-	415,923
Investment gain, net	42,253	19,637	-	61,890
Net assets released from restrictions	(1,369,203)	(842,279)	-	(2,211,482)
TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS	(995,383)	(738,286)	-	(1,733,669)
TOTAL PUBLIC SUPPORT AND REVENUES	10,683,739	383,970	(1,017,611)	10,050,098
EXPENSES				
Program services	9,570,991	1,066,998	(1,017,611)	9,620,378
Management and general	1,315,679	166,176	-	1,481,855
Fundraising	459,358	-	-	459,358
TOTAL EXPENSES	11,346,028	1,233,174	(1,017,611)	11,561,591
CHANGE IN NET ASSETS	(662,289)	(849,204)	-	(1,511,493)
NET ASSETS AT BEGINNING OF YEAR	4,715,364	3,436,453	-	8,151,817
NET ASSETS AT END OF YEAR	\$ 4,053,075	\$ 2,587,249	\$ -	\$ 6,640,324

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS				
Membership dues	\$ 2,145,690	\$ -	\$ -	\$ 2,145,690
Educational and program activities	2,662,175	-	-	2,662,175
Sponsorship agreements	1,074,448	-	-	1,074,448
U.S. Olympic committee support	1,425,000	-	-	1,425,000
Contributions	1,748,025	725,921	(289,620)	2,184,326
Federal, state and local grants	312,491	-	-	312,491
Other	58,529	-	-	58,529
Investment loss, net	(60,618)	(6,271)	-	(66,889)
Net assets released from restrictions	820,378	173,297	-	993,675
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	10,186,118	892,947	(289,620)	10,789,445
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS				
Contributions	814,800	2,624,500	-	3,439,300
Investment loss, net	(2,002)	(8,051)	-	(10,053)
Net assets released from restrictions	(820,378)	(173,297)	-	(993,675)
TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS	(7,580)	2,443,152	-	2,435,572
TOTAL PUBLIC SUPPORT AND REVENUES	10,178,538	3,336,099	(289,620)	13,225,017
EXPENSES				
Program services	9,739,581	122,056	-	9,861,637
Management and general	1,327,276	85,922	-	1,413,198
Fundraising	540,692	294,385	(289,620)	545,457
TOTAL EXPENSES	11,607,549	502,363	(289,620)	11,820,292
CHANGE IN NET ASSETS	(1,429,011)	2,833,736	-	1,404,725
NET ASSETS AT BEGINNING OF YEAR	6,144,375	602,717	-	6,747,092
NET ASSETS AT END OF YEAR	\$ 4,715,364	\$ 3,436,453	\$ -	\$ 8,151,817