



United States Sailing Association, Inc. and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

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 (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2020, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules on pages 26 - 29 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 schedules have been subjected to the auditing procedures applied in the audit of 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 schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matter

The financial statements of the as of and for the year ended December 31, 2019 were audited by Morrison, Brown, Argiz & Farra, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated July 22, 2020.

Boca Raton, Florida
September 10, 2021

BDO USA, LLP
Certified Public Accountants

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,514,361	\$ 650,824
Restricted cash and cash equivalents	589,424	14,361
Certificates of deposit	1,041,574	1,398,429
Investments	-	1,039,427
Accounts receivable, net	28,200	101,026
Unconditional promises to give, net, current portion	829,600	904,934
Inventory	148,867	154,574
Prepaid expenses	16,800	123,290
TOTAL CURRENT ASSETS	5,168,826	4,386,865
Restricted cash - for the purchase of property and equipment	172,821	392,103
Unconditional promises to give, net	1,919,100	2,001,385
Restricted cash and cash equivalents	249,910	-
Restricted investments	-	249,910
Other assets, net	189,762	162,420
Property and equipment, net	1,716,540	1,875,551
TOTAL ASSETS	\$ 9,416,959	\$ 9,068,234
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 216,836	\$ 216,807
Accrued expenses	473,377	375,697
Deferred membership revenue, current portion	1,352,983	1,199,763
Deferred program and other revenue	162,409	313,147
Note payable, current portion	56,897	54,012
TOTAL CURRENT LIABILITIES	2,262,502	2,159,426
Deferred membership revenue, less current portion	399,944	176,866
Note payable, less current portion	34,721	91,618
TOTAL LIABILITIES	2,697,167	2,427,910
NET ASSETS:		
Without donor restrictions	2,271,271	1,157,901
With donor restrictions	4,448,521	5,482,423
TOTAL NET ASSETS	6,719,792	6,640,324
TOTAL LIABILITIES AND NET ASSETS	\$ 9,416,959	\$ 9,068,234

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,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES						
Membership dues	\$ 2,011,884	\$ -	\$ 2,011,884	\$ 2,145,559	\$ -	\$ 2,145,559
Educational and program activities	1,630,385	-	1,630,385	2,681,754	-	2,681,754
Sponsorship agreements	1,793,884	-	1,793,884	1,932,934	-	1,932,934
U.S. Olympic committee support	1,442,415	-	1,442,415	1,562,158	-	1,562,158
Contributions	963,919	696,899	1,660,818	1,238,391	415,923	1,654,314
Paycheck Protection Program	810,500	-	810,500	-	-	-
Federal, state and local grants	-	-	-	19,900	-	19,900
Other	118,897	-	118,897	52,076	-	52,076
Investment gain, net	101,000	71,112	172,112	114,513	61,890	176,403
Net assets released from restrictions	1,801,913	(1,801,913)	-	2,211,482	(2,211,482)	-
TOTAL PUBLIC SUPPORT AND REVENUES	10,674,797	(1,033,902)	9,640,895	11,958,767	(1,733,669)	10,225,098
EXPENSES						
Program services	8,009,514	-	8,009,514	9,795,378	-	9,795,378
Management and general	1,239,035	-	1,239,035	1,481,855	-	1,481,855
Fundraising	312,878	-	312,878	459,358	-	459,358
TOTAL EXPENSES	9,561,427	-	9,561,427	11,736,591	-	11,736,591
CHANGE IN NET ASSETS	1,113,370	(1,033,902)	79,468	222,176	(1,733,669)	(1,511,493)
NET ASSETS AT BEGINNING OF YEAR	1,157,901	5,482,423	6,640,324	935,725	7,216,092	8,151,817
NET ASSETS AT END OF YEAR	\$ 2,271,271	\$ 4,448,521	\$ 6,719,792	\$ 1,157,901	\$ 5,482,423	\$ 6,640,324

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,**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 79,468	\$ (1,511,493)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	681,219	542,421
Bad debt (recovery) expense	(14,827)	145,163
Realized and unrealized gains on investments	(128,441)	(119,502)
Deferred rent receivable	(50,990)	(50,990)
Discount (accretion) on unconditional promises to give	16,075	(126,874)
Gain on forgiveness of Paycheck Protection Program loan	(810,463)	-
Gain on disposal of property and equipment	(38,000)	(5,565)
Decrease (increase) in:		
Accounts receivable	87,653	22,064
Unconditional promises to give	141,544	1,238,367
Inventory	5,707	41,552
Prepaid expenses	106,490	(7,795)
Other assets	(22,767)	49,387
Increase (decrease) in:		
Accounts payable	29	(3,423)
Accrued expenses	97,680	69,878
Deferred membership, program and other revenue	225,560	(451,652)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	375,937	(168,462)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales (purchases) of certificates of deposit	356,855	(1,398,429)
Purchases of property and equipment	(484,930)	(688,862)
Proceeds from the sale of property and equipment	47,137	5,565
Proceeds from investments	1,417,778	1,068,478
Purchases of investments	-	(1,080,932)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,336,840	(2,094,180)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments to note payable	(54,012)	(51,261)
Borrowings under the Paycheck Protection Program	810,463	-
NET CASH USED IN FINANCING ACTIVITIES	756,451	(51,261)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,469,228	(2,313,903)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) - BEGINNING OF YEAR	1,057,288	3,371,191
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) - END OF YEAR	\$ 3,526,516	\$ 1,057,288
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 2,514,361	\$ 650,824
Restricted cash and cash equivalents, current	589,424	14,361
Restricted cash and cash equivalents, long-term	249,910	-
Restricted cash - for the purchase of property and equipment	172,821	392,103
CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ 3,526,516	\$ 1,057,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 6,449	\$ 9,192

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, 2020

	Education	Membership Services	Competition Services	Adult Programs	Youth Programs	Olympic	Total	Management and General	Fundraising	Total
Salaries and Benefits										
Salaries and wages	\$ 336,806	\$ 671,462	\$ 264,477	\$ 216,858	\$ 585,508	\$ 824,283	\$ 2,899,394	\$ 908,221	\$ 117,870	\$ 3,925,485
Payroll taxes and other benefits	43,081	92,759	55,732	31,596	88,299	85,404	396,871	206,132	14,500	617,503
Total Salaries and Benefits	379,887	764,221	320,209	248,454	673,807	909,687	3,296,265	1,114,353	132,370	4,542,988
Operating Expenses										
Advertising	337	39,166	-	6,400	-	10	45,913	-	-	45,913
Bad debt expense	-	263	-	-	150	-	413	(15,240)	-	(14,827)
Coach and instruction fees	-	-	-	10,244	107,859	341,812	459,915	-	-	459,915
Computers and software	6,119	53,700	5,631	21,434	48,968	24,288	160,140	4,833	29,297	194,270
Credit card fees	4,769	5,317	19,774	20,771	19,953	8,114	78,698	12,169	14,555	105,422
Dues and subscriptions	8,068	33,991	5,967	5,585	6,439	54,871	114,921	3,212	4,189	122,322
Equipment rental	4,600	48,442	5,406	4,385	83,733	97,880	244,446	2,746	2,539	249,731
Filing fees and other	2,032	26	26	28	4,724	11,538	18,374	-	14,388	32,762
Grants	-	3,620	-	-	40,000	2,531	46,151	-	9,700	55,851
Insurance	16,854	32,505	7,567	14,008	14,446	89,256	174,636	7,531	7,567	189,734
Interest	902	1,737	775	453	775	1,094	5,736	389	324	6,449
Logistics	-	3,600	-	-	9,050	235,019	247,669	-	-	247,669
Merchandise and publications	1,258	9,935	95,270	81,238	59,726	474	247,901	397	866	249,164
Multimedia	42	4,747	36	-	7,426	4,910	17,161	18	1,015	18,194
Occupancy	14,479	35,558	14,319	13,920	14,319	22,449	115,044	20,616	7,079	142,739
Postage	721	27,780	20,295	16,864	42,959	3,805	112,424	1,269	3,699	117,392
Printing and stationery	891	41,850	909	394	2,350	1,117	47,511	338	15,948	63,797
Professional fees	34,852	133,076	17,762	34,643	33,365	240,105	493,803	23,234	24,309	541,346
Registration and event fees	1,078	175,012	104	14,030	9,345	54,081	253,650	4,033	5,715	263,398
Research and development	-	-	-	-	-	47,750	47,750	-	-	47,750
Sponsorship expense	-	16,234	-	-	3,611	659,946	679,791	-	-	679,791
Telephone	5,338	9,951	4,676	4,950	6,152	22,695	53,762	3,441	2,902	60,105
Travel	19,335	40,410	8,087	19,257	64,694	274,384	426,167	25,722	6,444	458,333
Total Operating Expenses	121,675	716,920	206,604	268,604	580,044	2,198,129	4,091,976	94,708	150,536	4,337,220
Depreciation and Amortization	29,974	59,948	29,974	29,974	232,977	238,426	621,273	29,974	29,972	681,219
Total Expenses	\$ 531,536	\$ 1,541,089	\$ 556,787	\$ 547,032	\$ 1,486,828	\$ 3,346,242	\$ 8,009,514	\$ 1,239,035	\$ 312,878	\$ 9,561,427

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 and instruction fees	-	-	4,680	37,721	262,460	547,657	852,518	-	-	852,518
Computers and 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 and 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 and 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	-	-	-	400,074	448,074	1,500	-	449,574
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	3,216,382	5,919,338	301,099	207,134	6,427,571
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	\$ 4,600,768	\$ 9,795,378	\$ 1,481,855	\$ 459,358	\$ 11,736,591

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, 2020 AND 2019

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. The increase in cash and cash equivalents during the current year ended December 31, 2020 is attributable the Organization moving its Investments to a new brokerage firm. These accounts consist of cash and cash equivalents as of December 31, 2020. The Organization invested these funds in mutual funds in early 2021.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Cash

Restricted cash represents funds held for donor restricted purposes, such as the Tokyo Olympics the Siebel Community Sailing Race program and various other competitions and events. As of December 31, 2020, and 2019, the Organization had restricted cash for various programs in amount of approximately \$589,000 and \$14,000, respectively. Additionally, as of December 31, 2020, the Organization held funds in cash that the donor intended to be held in in the amount of \$249,910. It was the donor's intent that the restricted cash described above be held in perpetuity, and thus the restricted cash is presented as long-term on the statements of financial position. During the year ended December 31, 2019, these donor restricted funds were held in investments.

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 without donor restriction and available for current use. As of December 31, 2020, and 2019, the Organization had approximately \$173,000 and \$392,000, respectively, of cash restricted for the purpose of property and equipment for the Siebel Community Sailing Race program.

Certificates of Deposit

The Organization maintains a certificate of deposit with a financial institution. The Organization reports its certificate of deposit at cost, which is not materially different than fair value. The certificate of deposit has an interest rate of .20% and matures within the year ending December 31, 2021. The certificates of deposit are restricted for the Siebel Community Sailing Race program.

Investments

At December 31, 2019, the Organization's investments were held and administered by the United States Olympic Endowment ("USOE") in a pooled account. The pooled account included investments in a variety of mutual funds, debt securities, equities, and alternative investments. These investments were carried at net asset value ("NAV"). During the year ended December 31, 2020, the Organization withdrew the funds from the USOE and deposited them into accounts administered by a new brokerage firm. These accounts consist of cash and cash equivalents as of December 31, 2020. The Organization invested these funds in mutual funds in early 2021. Realized and unrealized gains on investments and restricted investments are reflected in the Consolidated Statements of Activities within "Investment gain, 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 \$15,000 and \$31,000 at December 31, 2020 and 2019, respectively. The Organization had bad debt recovery related to accounts receivable for the year ended December 31, 2020 of approximately \$15,000. The Organization incurred bad debt expense of approximately \$25,000 during the year ended December 31, 2019.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, Net

Pledges Receivable, net are carried at anticipated net realizable value. Unconditional promises to give are reported at their fair value and are reported as an increase in net asset. Conditional promises to give are not recorded as support until such time as the conditions are substantially met. Pledges determined to be uncollectible during the year in such pledges are received are shown as a reduction of contributions. Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the allowance for uncollectible pledges. The allowance for uncollectible pledges is based upon 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 potential recovery is considered remote. The Organization's allowance for doubtful accounts on pledges receivable was approximately \$45,000 as of December 31, 2020 and 2019. There was no bad debt associated with pledges receivable for the year ended December 31, 2020. During the year ended December 31, 2019, bad debt associated with pledges receivable amounted to approximately \$125,000.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounting using a market rate of return and are recorded at net present value.

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.

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.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019.

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 the Organization had approximately \$46,000 of unamortized publication costs which are reflected in the caption "Other assets, net" in the accompanying Consolidated Statements of Financial Position. During each of the years ended December 31, 2020 and 2019, amortization expense was approximately \$46,000, and is reflected in the caption "Depreciation and Amortization" in the accompanying Consolidated Statements of Functional Expenses.

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, 2020 and 2019, the Organization has a deferred rent receivable balance of approximately \$170,000 and \$119,000, 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 - Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Contributions (Continued)

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as “Net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

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, 2020 and 2019 the Organization received approximately \$670,000 and \$453,000, respectively, of in-kind contributions which consisted mainly of sailing gear and related accessories, and is reflected in the caption “Sponsorship agreements” in the accompanying Consolidated Statement of Activities.

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.

Revenue Recognition – Exchange Transactions

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization adopted Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“Topic 606”) on January 1, 2020 using the modified retrospective method applied to all contracts not completed as of the date of the adoption. The Organization applies Topic 606 to exchange transactions in which it receives consideration from individuals for membership dues, educational and program revenue, and sponsorship agreements. Under U.S. GAAP, these arrangements are exchange transactions between the Organization and the individuals participating in the Organization’s programs.

The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, comparative information has not been adjusted. No adjustment to the Organization’s beginning net assets were required as a result of adopting Topic 606.

Membership Dues

Revenue related to membership is recognized over the period the performance obligation is met. Fees collected in advance of the membership period start date are recognized as deferred revenue. Members are provided with monthly access to the Organization’s facilities and a variety of services, which is accounted for as a single performance obligation

Educational and Program Revenue

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

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Exchange Transactions (Continued)

Sponsorship Agreements

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

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization determines functional expense classification based upon the departments to which time and each expense is incurred. Overhead expenses, which include occupancy, depreciation, and amortization, as well as salaries and wages, benefits, payroll taxes, and other expenses of the Organization's staff, are allocated based upon total expenses. The following provides a description of each of the program expense categories presented in the consolidated statement of functional expenses.

The following provides a description of each of the program expense categories presented in the consolidated statement of functional expenses:

Education Program

The Education Program provides education and instruction in four separate areas, small boat, keelboat and power and windsurfing.

Membership Services Program

The Membership Services program connects both the individuals and organizations to various programs, networking opportunities and resources to strengthen their individual or collective skills and knowledge, while actively working to keep the sport safe and more accessible to everyone.

Competition Services

The Competition services program holds races, competitions, and other events during the year in the United States that promote sailing activities.

Adult Programs

The Adult Programs offers various training courses and to those experienced individuals trying to build their skills.

Youth Programs

The Youth Programs offers training from certified instructors for beginning sailing classes provided throughout the United States. Additionally, the Young Program offers learn to sail classes, small boat classes and events with a goal of promoting boating and on-water activities.

Olympic Program

The Olympic Program provides training and support of the teams and individuals preparing for Olympic Competitions. The Organization helps to provide coaching, health and nutrition counseling, physical and psychological strengthening, logistics, and weather forecasting to the individuals and teams.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2020 and 2019 were approximately \$46,000 and \$61,000, 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 2017.

Recent Accounting Pronouncements

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.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standard update to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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. The Organization holds cash in various interest-bearing bank accounts with well-known financial institutions. 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 9).

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,514,361	\$ 650,824
Restricted cash and cash equivalents	589,424	14,361
Certificates of deposit	1,041,574	1,398,429
Investments	-	1,039,427
Accounts receivable, net	28,200	101,026
Unconditional promises to give, net, current portion	<u>829,600</u>	<u>904,934</u>
Total current financial assets	5,003,159	4,109,001
Less: amounts unavailable for general expenditures within one year due to:		
Cash restricted for specific purposes and programs	589,424	14,361
Investments restricted for specific purposes and programs	-	521,301
Certificates of deposit restricted for programs	688,416	1,398,429
Unconditional promises to give, net, current portion	829,600	904,934
Less: amounts unavailable to management without Board approval		
Board designated - endowment	201,981	182,746
Board designated - other	<u>220,985</u>	<u>199,941</u>
	<u>\$ 3,161,169</u>	<u>\$ 887,289</u>

4. PAYCHECK PROTECTON PROGRAM LOAN

In April 2020, the Organization received a loan of \$811,000 under the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that was signed into law on March 27, 2020. The Organization used the funds for payroll, rent, utilities, and other forgivable expenses. The proceeds from the loan were originally recognized as a financial liability in accordance with FASB ASC 470. On November 2, 2020, the Organization was granted forgiveness and legally released from the obligation by the Small Business Association and recognized the proceeds as revenue for the year ended December 31, 2020. The forgiveness of \$811,000, which also includes interest incurred and forgiven on the loan, is reflected within the accompanying Statements of Activities and Consolidated Statements of Activities within Paycheck Protection Program for the year ended December 31, 2020.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

5. INVESTMENTS AND RESTRICTED INVESTMENTS

Investments and restricted investments consist of the following on December 31:

	<u>2020</u>	<u>2019</u>
Investments held and administered by the United States Olympic Committee	\$ -	\$ 1,289,337
	<u>\$ -</u>	<u>\$ 1,289,337</u>

During the year ended December 31, 2020 the Organization withdrew the funds from the USOE pooled accounts and deposited them into accounts administered by a brokerage firm. These accounts consist of cash and cash equivalents as of December 31, 2020. The Organization invested these funds in mutual funds during 2021. The investments held at the USOE consisted of investments held and administered by the USOE in a pooled account. The pooled account included investments in a variety of mutual funds, debt securities, equities, and alternative investments and were carried at NAV. The investments valued at NAV had no unfunded commitments on December 31, 2019. Additionally, there were no explicit restrictions on the redemptions of such investments.

Investment gain, net from is comprised of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 43,671	\$ 61,149
Net realized and unrealized gains, net of fees	128,441	115,254
	<u>\$ 172,112</u>	<u>\$ 176,403</u>

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value, provides a 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, 2020 AND 2019

6. 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 methodology used for assets measured at fair value.

The preceding method 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 method is 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, 2020 and 2019, respectively, for each of the fair value hierarchy levels:

Description	12/31/2020	Fair Value Measurements at December 31, 2020		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Certificates of Deposit	\$ 1,041,574	\$ -	\$ 1,041,574	\$ -
Total assets in the fair value hierarchy	\$ 1,041,574	\$ -	\$ 1,041,574	\$ -

Description	12/31/2019	Fair Value Measurements at December 31, 2019		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Certificates of Deposit	\$ 1,398,429	\$ -	\$ 1,398,429	\$ -
Total assets in the fair value hierarchy	1,398,429		1,398,429	
Investments measured at net asset value	1,289,337	-	-	-
	\$ 2,687,766	\$ -	\$ 1,398,429	\$ -

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

7. UNCONDITIONAL PROMISES TO GIVE, NET

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

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 829,600	\$ 904,934
Due in one to five years	<u>2,225,315</u>	<u>2,292,065</u>
Total promises to give	3,054,915	3,196,999
Less:		
Allowance for doubtful accounts	(45,000)	(45,000)
Discount for the effects of present value	<u>(261,215)</u>	<u>(245,680)</u>
	<u>\$ 2,748,700</u>	<u>\$ 2,906,319</u>

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, 2020 and 2019.

8. PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 31,538	\$ 31,538
Furniture and equipment	343,386	348,504
Vehicles, boats, and trailers	2,146,668	1,833,104
Computer equipment and software	2,310,268	2,269,654
Artwork	<u>29,378</u>	<u>29,378</u>
	4,861,238	4,512,178
Less accumulated depreciation and amortization	<u>(3,144,698)</u>	<u>(2,636,627)</u>
	<u>\$ 1,716,540</u>	<u>\$ 1,875,551</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was approximately \$635,000 and \$496,000 respectively.

9. 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% (4.75% and 6.25% at December 31, 2020 and 2019, 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, 2020 and 2019. As of December 31, 2020, and 2019, there were no outstanding balance due on the line of credit. The line of credit has no stated maturity date and is due upon demand.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

10. 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 \$92,000 and \$146,000 as of December 31, 2020 and 2019 respectively. Interest expense incurred on the note payable during the years ended December 31, 2020 and 2019 was approximately \$6,000 and \$9,000, respectively.

Future payments under this agreement as of December 31, 2020 are as follows:

<u>Years ending December 31,</u>	
2021	\$ 56,897
2022	34,721
Total	<u>\$ 91,618</u>

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Net assets without restrictions - undesignated	\$ 1,848,305	\$ 775,214
Net assets without restrictions - board designated endowment	201,981	182,746
Net assets without restrictions - board designated other	220,985	199,941
	<u>\$ 2,271,271</u>	<u>\$ 1,157,901</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted by donors for specific purposes and programs	\$ 1,449,911	\$ 2,326,194
Unconditional promises to give with donor purpose restrictions	2,748,700	2,906,319
Endowed in perpetuity	249,910	249,910
	<u>\$ 4,448,521</u>	<u>\$ 5,482,423</u>

13. 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 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.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

13. ENDOWMENT (CONTINUED)

The Uniform Prudent Management of Institutional Funds Act (“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 UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

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, 2020 and 2019, 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Perpetual endowment funds	\$ -	\$ 249,910	\$ 249,910
Accumulated interest and dividends on perpetual endowment funds	-	132,836	-
Board-designated endowment funds	201,981	-	201,981
Total endowment net assets	\$ 201,981	\$ 382,746	\$ 584,727

Summary of Endowment Net Assets at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Perpetual endowment funds	\$ -	\$ 249,910	\$ 249,910
Accumulated interest and dividends on perpetual endowment funds	-	96,296	-
Board-designated endowment funds	182,746	-	182,746
Total endowment net assets	\$ 182,746	\$ 346,206	\$ 528,952

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

13. ENDOWMENT (CONTINUED)

Change in Endowment Net Assets for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 182,746	\$ 346,206	\$ 528,952
Investment income, net	19,235	36,540	55,775
Release from restriction and appropriated for expenditure	-	-	-
Endowment Net Assets, End of Year	<u>\$ 201,981</u>	<u>\$ 382,746</u>	<u>\$ 584,727</u>

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 loss, net	10,193	33,027	43,220
Release from restriction and appropriated for expenditure	-	(57,503)	(57,503)
Endowment Net Assets, End of Year	<u>\$ 182,746</u>	<u>\$ 346,206</u>	<u>\$ 528,952</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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

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.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

14. 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, 2020 and 2019 was approximately \$30,000 and \$114,000, respectively.

15. 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, 2020 and 2019 was approximately \$102,000 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, 2020 are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 153,000
2022	153,000
2023	153,000
2024	153,000
2025	153,000
Thereafter	<u>867,000</u>
Total	<u>\$ 1,632,000</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.

16. RISKS AND UNCERTAINTIES

Contributions

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.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

16. RISKS AND UNCERTAINTIES (CONTINUED)

Concentrations of Credit Risk

During each of the years ended December 31, 2020 and 2019, the Organization received grants from the United States Olympic committee which made up approximately 15% and 11%, respectively, 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 61% and 73% of total unconditional promises to give as of December 31, 2020 and 2019, respectively.

Coronavirus

Since January 2020, the coronavirus ("COVID-19") outbreak has caused substantial disruption in international and U.S. economics and markets. On March 11, 2020, the World Health Organization designated COVID-19 as a pandemic. While the Organization did not incur significant disruptions during the year ended December 31, 2020 from COVID-19, the Organization is unable to predict the impact that COVID-19 will have on the financial position and change in net assets due to numerous uncertainties. These uncertainties include the severity of the virus, the duration of the outbreak, governmental, or other actions (which include promotion of social distancing), or changes to the Organization's operations.

17. SUBSEQUENT EVENTS

Second PPP Loan

On February 18, 2021, the Company received a second loan under the PPP loan program in the amount of \$811,000. The Organization used the funds for payroll, rent, utilities, and other forgivable expenses. The proceeds from the loan were originally recognized as a financial liability in accordance with FASB ASC 470. On August 10, 2021, the Organization was granted forgiveness and legally released from the obligation by the Small Business Association and recognized the proceeds as revenue for the year ending December 31, 2021.

Subsequent Events

Management has evaluated subsequent events through September 10, 2021, which is the date these consolidated financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,212,239	\$ 302,122	\$ -	\$ 2,514,361
Restricted cash and cash equivalents	463,265	126,159	-	589,424
Certificates of deposit	-	1,041,574	-	1,041,574
Accounts receivable, net	28,200	-	-	28,200
Unconditional promises to give, net, current portion	703,600	126,000	-	829,600
Inventory	148,867	-	-	148,867
Prepaid expenses	16,800	-	-	16,800
TOTAL CURRENT ASSETS	3,572,971	1,595,855	-	5,168,826
Restricted cash - for the purchase of property and equipment	-	172,821	-	172,821
Due from Sailing Foundation	312,878	-	(312,878)	-
Unconditional promises to give, net	1,664,005	255,095	-	1,919,100
Restricted cash and cash equivalents	103,500	146,410	-	249,910
Other assets, net	189,762	-	-	189,762
Property and equipment, net	1,716,540	-	-	1,716,540
TOTAL ASSETS	\$ 7,559,656	\$ 2,170,181	\$ (312,878)	\$ 9,416,959
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 215,234	\$ 1,602	\$ -	\$ 216,836
Accrued expenses	473,377	-	-	473,377
Deferred membership revenue, current portion	1,352,983	-	-	1,352,983
Deferred program and other revenue	162,409	-	-	162,409
Note payable, current portion	56,897	-	-	56,897
TOTAL CURRENT LIABILITIES	2,260,900	1,602	-	2,262,502
Due to Sailing Association	-	312,878	(312,878)	-
Deferred membership revenue, less current portion	399,944	-	-	399,944
Note payable, less current portion	34,721	-	-	34,721
TOTAL LIABILITIES	2,695,565	314,480	(312,878)	2,697,167
NET ASSETS:				
Without donor restrictions	1,929,721	341,550	-	2,271,271
With donor restrictions	2,934,370	1,514,151	-	4,448,521
TOTAL NET ASSETS	4,864,091	1,855,701	-	6,719,792
TOTAL LIABILITIES AND NET ASSETS	\$ 7,559,656	\$ 2,170,181	\$ (312,878)	\$ 9,416,959

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

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE 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	54,012	-	-	54,012
TOTAL CURRENT LIABILITIES	2,150,769	8,657	-	2,159,426
Deferred membership revenue, less current portion	176,866	-	-	176,866
Note payable, less current portion	91,618	-	-	91,618
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

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

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS				
Membership dues	\$ 2,011,884	\$ -	\$ -	\$ 2,011,884
Educational and program activities	1,630,385	-	-	1,630,385
Sponsorship agreements	1,793,884	-	-	1,793,884
U.S. Olympic committee support	1,442,415	-	-	1,442,415
Contributions	2,105,136	522,605	(966,923)	1,660,818
Paycheck Protection Program	810,500	-	-	810,500
Other	118,897	-	-	118,897
Investment gain, net	102,738	69,374	-	172,112
TOTAL PUBLIC SUPPORT AND REVENUES	10,015,839	591,979	(966,923)	9,640,895
EXPENSES				
Program services	7,999,814	976,623	(966,923)	8,009,514
Management and general	1,205,009	34,026	-	1,239,035
Fundraising	-	312,878	-	312,878
TOTAL EXPENSES	9,204,823	1,323,527	(966,923)	9,561,427
CHANGE IN NET ASSETS	811,016	(731,548)	-	79,468
NET ASSETS AT BEGINNING OF YEAR	4,053,075	2,587,249	-	6,640,324
NET ASSETS AT END OF YEAR	\$ 4,864,091	\$ 1,855,701	\$ -	\$ 6,719,792

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

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE 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	1,932,934	-	-	1,932,934
U.S. Olympic committee support	1,562,158	-	-	1,562,158
Contributions	2,357,644	314,281	(1,017,611)	1,654,314
Federal, state and local grants	19,900	-	-	19,900
Other	52,076	-	-	52,076
Investment loss, net	106,714	69,689	-	176,403
TOTAL PUBLIC SUPPORT AND REVENUES	10,858,739	383,970	(1,017,611)	10,225,098
EXPENSES				
Program services	9,745,991	1,066,998	(1,017,611)	9,795,378
Management and general	1,315,679	166,176	-	1,481,855
Fundraising	459,358	-	-	459,358
TOTAL EXPENSES	11,521,028	1,233,174	(1,017,611)	11,736,591
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

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