



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2017 and 2016

USA DIVING, INC.

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Independent Auditors' Report

Board of Directors
USA Diving, Inc.

We have audited the accompanying financial statements of USA Diving, Inc., a not-for-profit corporation, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Diving, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana

May 29, 2018

USA DIVING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 265,495	\$ 503,916
Investments	630,219	542,819
Accounts receivable, net	20,649	70,778
Due from USOC		25,000
Due from US Diving Foundation	43,750	44,895
Prepaid expenses	68,573	116,474
Total Current Assets	1,028,686	1,303,882
PROPERTY AND EQUIPMENT, net	43,978	60,757
TOTAL ASSETS	\$ 1,072,664	\$ 1,364,639

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 198,237	\$ 104,918
Accrued salaries	14,956	20,148
Due to Raymond C. Rude Supporting Foundation, Inc.		118,278
Deferred revenue	188,148	165,684
Total Current Liabilities	401,341	409,028
NET ASSETS		
Unrestricted	517,428	834,315
Temporarily restricted	153,895	121,296
Total Net Assets	671,323	955,611
TOTAL LIABILITIES AND NET ASSETS	\$ 1,072,664	\$ 1,364,639

See accompanying notes.

USA DIVING, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
US Diving Foundation	\$ 175,500		\$ 175,500	\$ 175,000		\$ 175,000
Raymond C. Rude Supporting Foundation, Inc.	390,300		390,300	331,722		331,722
USOC grants	983,884		983,884	967,927		967,927
Membership dues	443,258		443,258	372,396		372,396
Corporate licensing, sponsorships, and broadcast	182,832		182,832	442,119		442,119
National and regional events	95,366		95,366	769,314		769,314
Safety	23,381		23,381	23,406		23,406
Contributions	11,829	\$ 32,599	44,428	49,314	\$ 22,276	71,590
Unrealized gain on pooled investments at U.S. Olympic Endowment	87,400		87,400	27,808		27,808
Other grants and income	72,578		72,578	90,963		90,963
	<u>2,466,328</u>	<u>32,599</u>	<u>2,498,927</u>	<u>3,249,969</u>	<u>22,276</u>	<u>3,272,245</u>
Net assets released from restrictions				5,000	(5,000)	
Total Revenue and Support	<u>2,466,328</u>	<u>32,599</u>	<u>2,498,927</u>	<u>3,254,969</u>	<u>17,276</u>	<u>3,272,245</u>
EXPENSES						
Member services	525,121		525,121	532,811		532,811
Competitive programs	1,718,123		1,718,123	2,044,428		2,044,428
General and administrative	539,971		539,971	554,626		554,626
Total Expenses	<u>2,783,215</u>		<u>2,783,215</u>	<u>3,131,865</u>		<u>3,131,865</u>
INCREASE (DECREASE) IN NET ASSETS	(316,887)	32,599	(284,288)	123,104	17,276	140,380
NET ASSETS						
Beginning of Year	<u>834,315</u>	<u>121,296</u>	<u>955,611</u>	<u>711,211</u>	<u>104,020</u>	<u>815,231</u>
End of Year	<u>\$ 517,428</u>	<u>\$ 153,895</u>	<u>\$ 671,323</u>	<u>\$ 834,315</u>	<u>\$ 121,296</u>	<u>\$ 955,611</u>

See accompanying notes.

USA DIVING, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (284,288)	\$ 140,380
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization	22,377	23,722
Unrealized (gain) on pooled investments	(87,400)	(27,808)
(Increase) decrease in certain current assets:		
Accounts receivable	50,129	(36,954)
Due from USOC	25,000	(25,000)
Due from US Diving Foundation	1,145	11,937
Prepaid expenses	47,901	41,395
Increase (decrease) in certain current liabilities:		
Accounts payable and accrued expenses	93,319	20,144
Accrued salaries	(5,192)	(3,825)
Due to USOC		(14,222)
Due to Raymond C. Rude Supporting Foundation, Inc.	(118,278)	(62,214)
Deferred revenue	22,464	(345,988)
Net Cash Used by Operating Activities	<u>(232,823)</u>	<u>(278,433)</u>
INVESTING ACTIVITIES		
Purchases of equipment	<u>(5,598)</u>	<u>(11,549)</u>
Net Cash Used by Investing Activities	<u>(5,598)</u>	<u>(11,549)</u>
NET DECREASE IN CASH	(238,421)	(289,982)
CASH		
Beginning of Year	<u>503,916</u>	<u>793,898</u>
End of Year	<u>\$ 265,495</u>	<u>\$ 503,916</u>

See accompanying notes.

USA DIVING, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USA Diving, Inc. (USA Diving) is a not-for-profit corporation located in Indianapolis, Indiana. USA Diving has been designated the National Governing Body for the Olympic sport of diving by the United States Olympic Committee (USOC). USA Diving was formed to organize and administer all aspects of competitive diving in the United States. Accordingly, USA Diving registers athletes and coaches, promotes the sport of diving, sanctions competitive diving events, and assembles and manages national diving teams.

Basis of Accounting: USA Diving prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

Basis of Presentation: USA Diving reports information regarding its financial position and activities on the accrual basis according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017 and 2016, USA Diving had the following classes of net assets:

- **Unrestricted Net Assets** include general and board-designated assets and liabilities which may be used at the discretion of management to support the purposes and operations of USA Diving.
- **Temporarily Restricted Net Assets** include assets of USA Diving related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Temporarily restricted net assets which are received and fully expended in the current year are recorded as unrestricted net assets.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

USOC Grants: USOC provides funding to USA Diving for specifically approved programs through advances or reimbursements.

Value In-kind Goods and Services: Contributions of services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recognized at their fair values in the period received. No such contributions were recorded in 2017 or 2016. Sponsors and USOC provide goods and services to USA Diving. Value in-kind includes apparel and team uniforms, airline travel, and publication printing. In-kind revenue and corresponding expense recognized was \$101,221 in 2017 and \$111,351 in 2016, and represent an estimate of the fair value of goods and services provided. No revenue or expense is recognized when the value of the services provided cannot be objectively or reasonably estimated.

Cash is maintained in bank deposit accounts which, at times, may exceed the federally insured limits. USA Diving has not experienced any losses from the bank accounts.

Investment Valuation and Income Recognition: USA Diving's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable represent uncollateralized obligations due to USA Diving and are generally payable within 30 days of the billing date. Accounts receivable are stated at the amount billed by USA Diving. On a periodic basis, USA Diving evaluates its receivables and establishes an allowance for doubtful accounts, if necessary, based on historical collection experience, economic conditions and management's evaluation of collectability of outstanding balances. USA Diving's allowance for doubtful accounts at December 31, 2017 and 2016 was \$1,000.

Property and Equipment: Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost, except for donated items, which are recorded at fair market value at the date of donation. Items over \$1,000 are capitalized. USA Diving provides for depreciation using the straight-line method over estimated useful lives as follows:

Furniture and equipment	3-7 years
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Support and Revenue: Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue in net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Deferred Revenue: Amounts received pursuant to sponsorship agreements, event agreements, or prepaid membership dues are recorded as deferred revenue and recognized in subsequent periods when earned. As of December 31, 2017 and 2016, prepaid membership dues of \$182,627 and \$161,904, respectively, were included in deferred revenue. As of December 31, 2017 and 2016, other deferred revenue of \$5,521 and \$3,780, respectively, was also included in deferred revenue.

Tax Status: USA Diving is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, USA Diving has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2017 and 2016.

USA Diving files U.S. federal and state of Indiana information tax returns. USA Diving is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014.

Functional Allocation of Expenses: The costs of USA Diving programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent Events: USA Diving has evaluated the financial statements for subsequent events occurring through May 29, 2018, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

USA Diving has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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) and the lowest priority to unobservable inputs (Level 3). The asset 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 three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that USA Diving has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or 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. In situations where there is little or no market activity for the asset or liability, USA Diving makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Assets Measured at Fair Value on a Recurring Basis: Following is a description of the valuation methodology used by USA Diving for assets that are measured at fair value on a recurring basis. There has been no change in the methodology used at December 31, 2017 and 2016.

Pooled Investments at the U.S. Olympic Endowment: Valued at USA Diving's proportionate share of the investments held within the pooled fund. Investments held in the investment pool are valued using the market value unit method, which assigns a number of units to each participant based on the relationship of the individual participant's investments to the total investments at the time the investments are pooled. Periodically, the pooled assets are valued and new unit values are assigned and used for valuing additions to, or withdrawals from, the pool by existing members or by new participants entering the pool. USA Diving may withdraw from the pool at any time. The underlying investments held by the pool include treasury bills, Government Agency bonds, international bonds, and exchange-traded funds, which are valued at quoted market prices, and alternative investments and mutual funds, which are valued at the published NAV.

For assets with fair value measured using Level 3 inputs, management determines the fair value measurement policies and procedures in consultation with the Board. Those policies and procedures are reassessed as necessary to determine if the current valuation techniques are appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although USA Diving's management 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 these assets could result in a different fair value measurement at the reporting date.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of USA Diving's assets that are measured at fair value on a recurring basis as of December 31, 2017 and 2016:

2017	Level 3	Total
Assets		
Pooled Investments at U.S. Olympic Endowment	<u>\$630,219</u>	<u>\$630,219</u>
Total Assets at Fair Value	<u>\$630,219</u>	<u>\$630,219</u>
2016		
Assets		
Pooled Investments at U.S. Olympic Endowment	<u>\$542,819</u>	<u>\$542,819</u>
Total Assets at Fair Value	<u>\$542,819</u>	<u>\$542,819</u>

At December 31, 2017 and 2016, USA Diving had no other assets and no liabilities that are measured at fair value on a recurring basis.

Following is a summary of the changes in the fair value of Level 3 Pooled Investments at U.S. Olympic Endowment measured on the recurring basis for the years ended December 31, 2017 and 2016:

Balance at December 31, 2015	\$515,011
Unrealized gain on pooled investments at U.S. Olympic Endowment included in earnings	<u>27,808</u>
Balance at December 31, 2016	542,819
Unrealized gain on pooled investments at U.S. Olympic Endowment included in earnings	<u>87,400</u>
Balance at December 31, 2017	<u>\$630,219</u>

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents USA Diving's Level 3 assets, the valuation techniques used to measure the fair value of those assets, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Basis or Range of Significant Input Values
2017				
Pooled Investments at U.S. Olympic Endowment	<u>\$630,219</u>	Market value unit method	Unit Value	<u>\$630,219</u>
2016				
Pooled Investments at U.S. Olympic Endowment	<u>\$542,819</u>	Market value unit method	Unit Value	<u>\$542,819</u>

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

At December 31, 2017 and 2016, the total cost and fair value of investments were as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Pooled Investments at U.S. Olympic Endowment	<u>\$465,173</u>	<u>\$630,219</u>	<u>\$422,495</u>	<u>\$542,819</u>

As of December 31, 2017 and 2016, the U.S. Olympic Endowment portfolio consisted of the following investments as a percentage of total investments:

	2017	2016
Treasury Bills	6.5%	5.2%
Fixed income investments:		
Government Agency bonds	6.0%	6.4%
International bonds	2.8%	3.0%
Mutual fund shares:		
Large cap funds	20.0%	20.0%
Small cap funds	10.5%	9.6%
International funds	19.8%	18.7%
Alternative investments:		
Public real assets	5.3%	6.1%
Hedge funds	19.7%	22.8%
Other	9.4%	8.2%

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016, were as follows:

	2017	2016
Furniture and equipment	\$122,009	\$116,412
Less: Accumulated depreciation	<u>(78,031)</u>	<u>(55,655)</u>
Total Property and Equipment, net	<u>\$ 43,978</u>	<u>\$ 60,757</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

USA Diving is the sole member of US Diving Foundation (the Foundation); however, USA Diving does not have a majority voting interest in electing the Foundation's board of directors. The purpose of the Foundation is to benefit the educational and charitable purposes of USA Diving and to advance the sport of diving. The Foundation also makes grants to various not-for-profit and for-profit organizations in carrying out the mission of USA Diving. Amounts due to USA Diving from the Foundation at December 31, 2017 and 2016 were \$43,750 and \$44,895, respectively.

Raymond C. Rude Supporting Foundation, Inc. is a related party donor to USA Diving and the Foundation. Amounts due to the Raymond C. Rude Supporting Foundation, Inc. at December 31, 2016 were \$118,278. The payables at December 31, 2016 represented unused grant funds which were allocated to USA Diving for use in 2016. There was no amount due to the Raymond C. Rude Supporting Foundation, Inc. at December 31, 2017.

USA Diving is a member of USOC, a federally-chartered nonprofit organization charged with governing and supporting United States Olympic and Paralympic governing bodies. Included in USOC grants are in-kind amounts of \$60,126 in 2017 and \$56,705 in 2016. There were no amounts due to USA Diving from USOC at December 31, 2017. Amounts due from USOC at December 31, 2016 were \$25,000.

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

Grants from USOC amounted to 39% and 30% of all support and revenue in 2017 and 2016, respectively. Grants from the Raymond C. Rude Supporting Foundation, Inc. amounted to 16% and 10% of all support and revenue in 2017 and 2016, respectively. Grants from the Foundation amounted to 7% and 6% of all support and revenue in 2017 and 2016, respectively.

NOTE 5 - EMPLOYEE BENEFIT PLAN

USA Diving sponsors a 401(k) plan (Plan) for its eligible employees. The Plan requires USA Diving to make certain minimum contributions to eligible employees on an annual basis. USA Diving may make additional discretionary contributions and employee contributions are permitted. All contributions are 100% vested immediately. USA Diving contributions to the Plan were \$36,891 in 2017 and \$40,165 in 2016.

NOTE 6 - RENT COMMITMENT

USA Diving has a long-term noncancellable operating lease for office space which expires in 2020. At December 31, 2017, the future minimum rental payments are as follows:

Payable In	Rental Payments
2018	\$ 54,300
2019	55,500
2020	<u>42,300</u>
Total	<u>\$152,100</u>

Total rent expense was \$60,313 in 2017 and \$53,670 in 2016.

NOTE 7 - RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, consisted of:

	2017	2016
Dive-In Campaign – Junior Diving	\$111,895	\$104,296
Masters	32,000	17,000
Scholarship	<u>10,000</u>	<u> </u>
Total Temporarily Restricted Net Assets	<u>\$153,895</u>	<u>\$121,296</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the years ended December 31, 2017 and 2016, were comprised of:

	2017	2016
Board assessment and training	<u>\$ -</u>	<u>\$5,000</u>
Total Net Assets Released from Restrictions	<u>\$ -</u>	<u>\$5,000</u>

NOTE 8 - CONTINGENCIES

From time to time, USA Diving is involved in various asserted and unasserted claims arising in the ordinary course of business. While the likelihood or results of lawsuits or proceedings against USA Diving cannot be predicted with certainty, at this time management believes the impact of losses to USA Diving resulting from claims is remote and not estimable.