

UNITED STATES SYNCHRONIZED SWIMMING, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**UNITED STATES SYNCHRONIZED SWIMMING, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

| | |
|---|----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 3 |
| STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS | 5 |
| STATEMENTS OF FUNCTIONAL EXPENSES | 6 |
| STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Synchronized Swimming, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of United States Synchronized Swimming, Inc. (USA Synchro), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses 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 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 financial statements are free from material misstatement.

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

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

Board of Directors
United States Synchronized Swimming, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Synchronized Swimming, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
July 14, 2017

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 292,206 | \$ 278,905 |
| Investments | 278,512 | 233,474 |
| Accounts Receivable, Net of Allowance of Uncollectible Accounts of \$5,550 in 2016 and 2015 | 8,238 | 75,513 |
| Grants Receivable | 23,900 | 97,133 |
| Inventory | 8,886 | 9,564 |
| Contributions Receivable | 18,015 | 17,285 |
| Prepaid Expenses and Other Current Assets | 47,369 | 32,040 |
| | 677,126 | 743,914 |
| Total Current Assets | | |
| PROPERTY AND EQUIPMENT | | |
| Office Furniture and Equipment | 10,918 | 10,918 |
| Computer Equipment | 3,000 | 3,000 |
| Software | 18,420 | 18,420 |
| | 32,338 | 32,338 |
| Less Accumulated Depreciation | (32,338) | (32,338) |
| | - | - |
| Total Property and Equipment | | |
| TOTAL ASSETS | \$ 677,126 | \$ 743,914 |

See accompanying Notes to Financial Statements.

| LIABILITIES AND NET ASSETS | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 70,415 | \$ 55,705 |
| Accrued Liabilities | 32,098 | 54,137 |
| Deferred Revenue | 271,941 | 263,624 |
| Current Portion of Long-Term Debt | 10,002 | 10,002 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 384,456 | 383,468 |
| | <hr/> | <hr/> |
| LONG-TERM LIABILITIES | | |
| Loan Payable, Net of Current Portion | - | 10,000 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | - | 10,000 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | 384,456 | 393,468 |
| | <hr/> | <hr/> |
| NET ASSETS | | |
| Unrestricted | 80,281 | 232,765 |
| Temporarily Restricted | 212,389 | 117,681 |
| | <hr/> | <hr/> |
| Total Net Assets | 292,670 | 350,446 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 677,126</u> | <u>\$ 743,914</u> |

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | | 2015 | | |
|---|--------------|---------------------------|------------|--------------|---------------------------|------------|
| | Unrestricted | Temporarily Restricted | Totals | Unrestricted | Temporarily Restricted | Totals |
| REVENUES AND OTHER SUPPORT | | | | | | |
| United States Olympic Committee Funding | \$ 60,540 | \$ - | \$ 60,540 | \$ 146,722 | \$ 6,000 | \$ 152,722 |
| Grants | 57,589 | - | 57,589 | 95,430 | - | 95,430 |
| Contributions | 67,727 | 200,000 | 267,727 | 82,768 | 200,000 | 282,768 |
| Member Services | 425,596 | 708 | 426,304 | 448,030 | 1,060 | 449,090 |
| Marketing | 35,549 | - | 35,549 | 196,572 | - | 196,572 |
| Competitive Operations | 384,229 | - | 384,229 | 206,938 | - | 206,938 |
| Olympic International | 215,448 | - | 215,448 | 186,696 | - | 186,696 |
| Administrative Income | 110,260 | - | 110,260 | 102,300 | - | 102,300 |
| Merchandise | 4,627 | - | 4,627 | 8,110 | - | 8,110 |
| Education and Certification | 248,281 | - | 248,281 | 151,978 | - | 151,978 |
| Net Assets Released from Restrictions | 106,000 | (106,000) | - | 150,000 | (150,000) | - |
| | | | | | | |
| Total Revenues and Other Support | 1,715,846 | 94,708 | 1,810,554 | 1,775,544 | 57,060 | 1,832,604 |
| EXPENSES | | | | | | |
| Program | 1,804,146 | - | 1,804,146 | 1,582,869 | - | 1,582,869 |
| General and Administrative | 64,184 | - | 64,184 | 66,190 | - | 66,190 |
| | | | | | | |
| Total Expenses | 1,868,330 | - | 1,868,330 | 1,649,059 | - | 1,649,059 |
| CHANGES IN NET ASSETS | (152,484) | 94,708 | (57,776) | 126,485 | 57,060 | 183,545 |
| NET ASSETS, BEGINNING OF YEAR | 232,765 | 117,681 | 350,446 | 106,280 | 60,621 | 166,901 |
| NET ASSETS, END OF YEAR | \$ 80,281 | \$ 212,389 | \$ 292,670 | \$ 232,765 | \$ 117,681 | \$ 350,446 |

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

| | Total Program Services | Management and General | Total Functional Expenses |
|-----------------------------|------------------------------|---------------------------|---------------------------------|
| EXPENSES | | | |
| Membership | \$ 133,006 | \$ - | \$ 133,006 |
| Education and Certification | 129,268 | - | 129,268 |
| Marketing | 69,407 | - | 69,407 |
| Competitive Operations | 307,769 | - | 307,769 |
| National Team | 832,099 | - | 832,099 |
| Salaries and Benefits | 272,585 | 55,041 | 327,626 |
| Office | 14,881 | 3,005 | 17,886 |
| Professional Fees | 16,136 | 3,258 | 19,394 |
| Dues and Subscriptions | 2,217 | 448 | 2,665 |
| Cost of Merchandise | 6,586 | 1,330 | 7,916 |
| Occupancy | 4,624 | 934 | 5,558 |
| Officers' expense | 14,731 | - | 14,731 |
| Interest | 836 | 169 | 1,005 |
| TOTAL EXPENSES | \$ 1,804,146 | \$ 64,184 | \$ 1,868,330 |

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

| | Total Program Services | Management and General | Total Functional Expenses |
|-----------------------------|------------------------------|---------------------------|---------------------------------|
| EXPENSES | | | |
| Membership | \$ 123,171 | \$ - | \$ 123,171 |
| Education and Certification | 89,728 | - | 89,728 |
| Marketing | 48,690 | - | 48,690 |
| Competitive Operations | 150,906 | - | 150,906 |
| National Team | 827,299 | - | 827,299 |
| Salaries and Benefits | 267,081 | 53,930 | 321,011 |
| Office | 10,869 | 2,195 | 13,064 |
| Professional Fees | 19,982 | 4,035 | 24,017 |
| Dues and Subscriptions | 1,664 | 336 | 2,000 |
| Cost of Merchandise | 6,435 | 1,299 | 7,734 |
| Occupancy | 17,731 | 3,580 | 21,311 |
| Officers' expense | 15,275 | - | 15,275 |
| Interest | 222 | 45 | 267 |
| Loss on Disposal of Asset | 1,018 | 205 | 1,223 |
| Depreciation | 2,798 | 565 | 3,363 |
| TOTAL EXPENSES | \$ 1,582,869 | \$ 66,190 | \$ 1,649,059 |

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (57,776) | \$ 183,545 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation | - | 3,363 |
| Loss on Disposal of Asset | - | 1,223 |
| Net Realized and Unrealized (Gains) Losses on Investments | (6,745) | 9,467 |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 67,275 | (39,971) |
| Grants Receivable | 73,963 | (70,204) |
| Contributions Receivable | (730) | 2,650 |
| Prepaid Expenses and Other Assets | (15,329) | (13,237) |
| Inventory | 678 | 181 |
| Accounts Payable | 14,710 | 15,981 |
| Accrued Expenses | (22,039) | 33,533 |
| Deferred Rent | - | (13,609) |
| Deferred Revenue | 8,317 | (7,630) |
| | 61,594 | 105,292 |
| Net Cash Provided by Operating Activities | 61,594 | 105,292 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Investments | (38,293) | (53,767) |
| | (38,293) | (53,767) |
| Net Cash Used in Investing Activities | (38,293) | (53,767) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on Long-Term Debt / Capital Lease Obligation | (10,000) | (15,246) |
| | (10,000) | (15,246) |
| Net Cash Used in Financing Activities | (10,000) | (15,246) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 13,301 | 36,279 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 278,905 | 242,626 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 292,206 | \$ 278,905 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash Paid for Interest | \$ 1,005 | \$ 267 |

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United States Synchronized Swimming, Inc. (USA Synchro) was established for the development and promotion of amateur synchronized swimming in the United States. USA Synchro is recognized as the national governing body for synchronized swimming by the United States Olympic Committee (USOC).

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each reporting period. The most significant areas involving the use of management's estimates and assumptions are the depreciable lives and methods of property and equipment, accounts receivable allowance, and the allocation of functional expenses. Actual results could differ from those estimates.

Net Asset Classifications

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted. The following classes of net assets are used to reflect donor intent:

Unrestricted Net Assets

The unrestricted net asset class includes general assets and liabilities of USA Synchro. The unrestricted net assets may be used to support USA Synchro's purposes and operations.

Temporarily Restricted Net Assets

The temporarily restricted net asset class includes assets of USA Synchro related to contributions and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Net assets temporarily restricted for the use of supporting specific USA Synchro programs total \$212,389 and \$117,681 at December 31, 2016 and 2015, respectively. Temporarily restricted net assets released from restriction due to meeting donor-imposed purpose restrictions were \$106,000 and \$150,000 for the years ended December 31, 2016 and 2015, respectively.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classifications (Continued)

Permanently Restricted Net Assets

The permanently restricted net asset class includes assets of USA Synchro which the donor has stipulated be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. USA Synchro did not have any permanently restricted net assets at December 31, 2016 and 2015.

Income Taxes

The Internal Revenue Service (IRS) has ruled that USA Synchro qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to income taxation under present income tax laws. However, should USA Synchro ever have income from certain activities not directly related to its tax-exempt purpose, that income would be subject to taxation as unrelated business income. In addition, USA Synchro qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization other than a private Organization under Section 509(a)(2). USA Synchro's policy is to include interest and penalties related to its tax positions in income tax expense. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by USA Synchro and recognize a tax liability (or asset) if USA Synchro has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by USA Synchro, and has concluded that as of December 31, 2016 and 2015, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Revenue Recognition and Other Support

USA Synchro records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give, certain donated services, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions with donor-imposed restrictions met in the same reporting year are recorded as unrestricted contributions without reclassification. Most of USA Synchro's grants are considered to be contributions for purposes of applying revenue recognition policies. Revenue from transactions which are considered "exchange transactions" under accounting principles generally accepted in the United States of America is reported as deferred revenue until the transaction is completed.

USA Synchro's revenue consists principally of membership dues, grants (including USOC funding) and contributions. Other sources of revenue include corporate sponsorships, entry fees, and merchandise sales.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Other Support (Continued)

USA Synchro reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, USA Synchro reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions of donated noncash assets are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. No fundraising expenses were incurred.

Expenses are reported by the nature of activities they support in the following categories:

Program: USA Synchro provides leadership, educational services and resources to promote the sport of synchronized swimming through sport development, international team competition, and team preparation.

General and Administrative: General and administrative expenses relate to the overall direction of USA Synchro, and include expenses for activities of the governing board, business management, general record keeping, and budgeting.

Reclassification

Certain reclassifications have been made in the 2015 financial statements to conform to the classifications used in the 2016 financial statements. The reclassifications have no effect on the overall net assets.

Cash and Cash Equivalents

USA Synchro considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Deposits at each financial institution are insured up to a specified amount by a government agency.

Concentrations of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, USA Synchro's cash deposits may exceed the federally insured limits and at December 31, 2016, its uninsured deposits totaled \$42,206. USA Synchro has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Sponsorships and Donated Services

Certain services and non-monetary sponsorships were provided to USA Synchro in 2016 and 2015. Those non-monetary sponsorships which would have been otherwise purchased and had a determinable value were recognized as revenue in the year received. Such in-kind sponsorships consist mainly of airfare, swimwear, outerwear, scoreboards, technical support and other items with a limited useful life. In-kind revenue recognized in 2016 and 2015 of \$95,750 and \$79,216, respectively, represents an estimate of the goods and services provided.

Investments and Income Recognition

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the financial statements in accordance with accounting principles generally accepted in the United States of America, as discussed in Note 2. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Investment gains pertaining to certain restricted net assets are recorded as temporarily restricted or permanently restricted in accordance with the applicable gift instruments. Interest income is recognized under the accrual basis and dividend income on the ex-dividend date.

USA Synchro maintains its investments in the United States Olympic Foundation investment pool. Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Accounts Receivable

USA Synchro's accounts receivable balance consists of amounts billed or billable under contracts, sponsorship agreements, or for products or services provided. Interest is not charged on outstanding accounts receivable. Management determined the net collectability of accounts receivable by establishing an allowance for doubtful accounts. The allowance is determined by management based on USA Synchro's historical losses, general economic conditions, and results of collection activities.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable

Contributions and grants receivable, which represent unconditional promises to give, are recognized as revenue when the promise is received. Contributions and grants receivable expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of promise. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to the change in net assets all balances that are considered uncollectible. All grants receivable at 2016 are expected to be collected during the next fiscal year.

Inventory

Inventory is comprised of USA Synchro's merchandise held for sale. Inventory is stated at the lower of cost or market, determined on the first-in, first-out basis (FIFO).

Property and Equipment

Property and equipment which substantially increase the useful life of existing assets are capitalized at cost. Property and equipment exceeding \$2,500 are recorded at cost at the date of acquisition or fair value at date of donation in the case of in-kind gifts. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, based on the following useful lives:

| | |
|--------------------------------|---------|
| Office furniture and equipment | 5 years |
| Computer equipment | 3 years |
| Software | 3 years |

Property and equipment balance as of December 31, 2016 and 2015, consisting primarily of furniture and equipment, is shown net of accumulated depreciation of \$32,338 for both years presented.

Accounting for Impairment of Long-lived Assets

USA Synchro reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparing the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through July 14, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to July 14, 2017, that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2016.

NOTE 2 INVESTMENTS

Investments at December 31, 2016 were as follows:

| | Cost | Fair Value |
|-------------------|-------------------|-------------------|
| Bond Mutual Funds | \$ 50,000 | \$ 52,165 |
| Fixed Income | 82,177 | 84,442 |
| Mutual Funds | 157,310 | 141,905 |
| | <u>\$ 289,487</u> | <u>\$ 278,512</u> |

Investments at December 31, 2015 were as follows:

| | Cost | Fair Value |
|-------------------|-------------------|-------------------|
| Bond Mutual Funds | \$ 50,000 | \$ 52,323 |
| Fixed Income | 80,058 | 79,322 |
| Mutual Funds | 121,137 | 101,829 |
| | <u>\$ 251,195</u> | <u>\$ 233,474</u> |

Investment return consists of the following for the years ended December 31, 2016 and 2015:

| | 2016 | 2015 |
|-------------------------------|------------------|-------------------|
| Net Unrealized Gains (Losses) | \$ 6,745 | \$ (9,467) |
| | 6,745 | (9,467) |
| Investment Income | 6,510 | 5,103 |
| Total Investment Return | <u>\$ 13,255</u> | <u>\$ (4,364)</u> |

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS

USA Synchro uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value. The term “fair value hierarchy” refers to the relative reliability of inputs to a fair value measurement.

The three-level fair value hierarchy prioritizes the inputs to valuation technique 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets that USA Synchro has the ability to access.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets or markets that are not active, such as dealer or broker markets.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments at December 31, 2016 or 2015.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. USA Synchro had no assets or liabilities measured on a nonrecurring basis at December 31, 2016 or 2015.

Management measures its investments in stocks, fixed income and mutual funds at fair value on a recurring basis. The fair value of its investments is based primarily on Level 1 inputs as described above. The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following table presents assets and liabilities of USA Synchro's investments measured at fair value by classification within the fair value hierarchy as of December 31, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|-------------------|-------------|-------------|-------------------|
| Bond Mutual Funds | \$ 52,165 | | | \$ 52,165 |
| Fixed Income Funds | 84,442 | | | 84,442 |
| Mutual Funds | 141,905 | | | 141,905 |
| Total | <u>\$ 278,512</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 278,512</u> |

The following table presents assets and liabilities of USA Synchro's investments measured at fair value by classification within the fair value hierarchy as of December 31, 2015:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|-------------------|-------------|-------------|-------------------|
| Bond Mutual Funds | \$ 52,323 | | | \$ 52,323 |
| Fixed Income Funds | 79,322 | | | 79,322 |
| Mutual Funds | 101,829 | | | 101,829 |
| Total | <u>\$ 233,474</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 233,474</u> |

NOTE 4 CONCENTRATIONS

Grants received from the United States Olympic Committee accounted for 4% and 8% of USA Synchro's revenue for 2016 and 2015, respectively.

NOTE 5 DEFERRED REVENUE

Deferred revenue consisted of \$271,941 and \$263,624 in deferred membership revenue at December 31, 2016 and 2015, respectively.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LINE OF CREDIT

USA Synchro secured a \$225,000 revolving line of credit from PNC Bank, expiring January 27, 2017. This line is collateralized by all of USA Synchro's assets. Interest is payable monthly on outstanding balances at an interest rate of .5% over prime rate (3.25% at December 31, 2016). The line of credit was renewed until January 28, 2018. No borrowings have occurred in 2016 and 2015.

NOTE 7 LOAN PAYABLE

USA Synchro obtained an unsecured loan from the United States Synchronized Swimming Foundation (the Foundation) of \$50,000, maturing in August 2017. The loan requires five annual payments due in August in the amount of \$10,810 that includes interest at 4%.

The future principal payments are:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|------------------|
| 2017 | 10,000 |
| Total | <u>\$ 10,000</u> |

NOTE 8 CAPITAL LEASE

USA Synchro leases equipment under a capital lease expiring in March 2016. The lease was paid in full during 2015 with no future lease payments required. The asset under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The asset is being amortized over five years and the amortization is included in depreciation expense.

The following is a summary of property held under the capital lease at December 31:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------|-------------|
| Office Equipment | \$ - | \$ 3,000 |
| Less Accumulated Amortization | - | (3,000) |
| | <u>\$ -</u> | <u>\$ -</u> |

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 RELATED PARTIES

The Foundation was established in 1984 for the benefit of USA Synchro. The Foundation is governed by a Board of Directors which is elected by the members of USA Synchro. USA Synchro was awarded and received \$52,589 and \$71,000 from the Foundation in 2016 and 2015, respectively. USA Synchro billed the Foundation \$5,000 in 2016 and 2015 for administrative services provided by USA Synchro to the Foundation. USA Synchro had receivables from the Foundation of \$19,360 and \$84,633 at December 31, 2016 and 2015, respectively. The receivables included expenses paid by USA Synchro on behalf of the Foundation. See the Note 7 for the details of a loan from the Foundation.

USA Synchro received donations from board members and management of \$7,360 and \$2,840 in 2016 and 2015, respectively.

NOTE 10 RETIREMENT PLAN

USA Synchro maintains a tax-deferred compensation plan under Section 403(b)(7) of the Internal Revenue Code. The pension plan provides that USA Synchro contribute 5% of the annual compensation of eligible employees on their behalf. The pension plan also provides for voluntary employee contributions. The amounts contributed by USA Synchro to this plan during the years ended December 31, 2016 and 2015 were \$10,974 and \$11,712, respectively.

NOTE 11 OPERATING LEASES

USA Synchro incurred rent expense of \$5,558 and \$15,493 during 2016 and 2015, respectively. In December 2016, USA Synchro entered into a sublease agreement with the United States Olympic Committee which expires December 31, 2020. The future minimum rental payments remaining on the lease are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|------------------|
| 2017 | \$ 4,084 |
| 2018 | 4,166 |
| 2019 | 4,166 |
| 2020 | 4,166 |
| Total | <u>\$ 16,582</u> |

**UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 12 RESTRICTED ASSETS

Contributions to USA Synchro which are subject to donor-imposed restrictions are temporarily restricted net assets. USA Synchro also receives grants from the United States Olympic Committee to fund various programs of USA Synchro, including sport development, international competition, and team preparation.

The temporarily restricted net assets have been segregated as follows at December 31, 2016 and 2015, respectively:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Masters Program | \$ 11,736 | \$ 11,028 |
| Association Fund | 653 | 653 |
| United States Olympic Committee Fund | - | 6,000 |
| Time Restricted Grants and Contributions | 200,000 | 100,000 |
| Total Temporarily Restricted Net Assets | <u>\$ 212,389</u> | <u>\$ 117,681</u> |