

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**TABLE OF CONTENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>

## 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, 2017 and 2016, 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, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
June 14, 2018

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

<b>ASSETS</b>	2017	2016
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 292,938	\$ 292,206
Investments	381,012	278,512
Accounts Receivable, Net of Allowance of Uncollectible Accounts of \$5,550 in 2017 and 2016	48,763	8,238
Grants Receivable	-	23,900
Inventory	15,329	8,886
Contributions Receivable	14,850	18,015
Prepaid Expenses and Other Current Assets	50,619	47,369
Total Current Assets	803,511	677,126
<b>PROPERTY AND EQUIPMENT</b>		
Office Furniture and Equipment	1,095	10,918
Computer Equipment	-	3,000
Software	18,420	18,420
Total	19,515	32,338
Less: Accumulated Depreciation	(19,515)	(32,338)
Total Property and Equipment	-	-
Total Assets	\$ 803,511	\$ 677,126
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 127,851	\$ 70,415
Accrued Liabilities	42,786	32,098
Deferred Member Service Revenue	281,157	271,941
Current Portion of Long-Term Debt	-	10,002
Total Current Liabilities	451,794	384,456
Total Liabilities	451,794	384,456
<b>NET ASSETS</b>		
Unrestricted	19,556	80,281
Temporarily Restricted	332,161	212,389
Total Net Assets	351,717	292,670
Total Liabilities and Net Assets	\$ 803,511	\$ 677,126

See accompanying Notes to Financial Statements.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>REVENUES AND OTHER SUPPORT</b>						
United States Olympic Committee Funding	\$ 164,228	\$ 19,000	\$ 183,228	\$ 65,540	\$ -	\$ 65,540
Grants	70,100	-	70,100	52,589	-	52,589
Contributions	31,130	200,000	231,130	67,727	200,000	267,727
Member Services	426,032	772	426,804	425,596	708	426,304
Marketing	34,281	-	34,281	35,549	-	35,549
Competitive Operations	338,465	-	338,465	384,229	-	384,229
Olympic International	294,887	-	294,887	215,448	-	215,448
Administrative Income	13,971	-	13,971	14,510	-	14,510
Merchandise	70,362	-	70,362	4,627	-	4,627
Education and Certification	255,936	-	255,936	248,281	-	248,281
In-Kind Sponsorships and Donated Services	68,015	-	68,015	95,750	-	95,750
Net Assets Released from Restrictions	100,000	(100,000)	-	106,000	(106,000)	-
	<u>1,867,407</u>	<u>119,772</u>	<u>1,987,179</u>	<u>1,715,846</u>	<u>94,708</u>	<u>1,810,554</u>
Total Revenues and Other Support						
<b>FUNCTIONAL EXPENSES</b>						
Program Services	1,853,357	-	1,853,357	1,804,146	-	1,804,146
General and Administrative	74,775	-	74,775	64,184	-	64,184
	<u>1,928,132</u>	<u>-</u>	<u>1,928,132</u>	<u>1,868,330</u>	<u>-</u>	<u>1,868,330</u>
Total Functional Expenses						
<b>CHANGES IN NET ASSETS</b>	(60,725)	119,772	59,047	(152,484)	94,708	(57,776)
Net Assets, Beginning of Year	<u>80,281</u>	<u>212,389</u>	<u>292,670</u>	<u>232,765</u>	<u>117,681</u>	<u>350,446</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 19,556</u>	<u>\$ 332,161</u>	<u>\$ 351,717</u>	<u>\$ 80,281</u>	<u>\$ 212,389</u>	<u>\$ 292,670</u>

See accompanying Notes to Financial Statements.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	Program Services	General and Administrative	Total Functional Expenses
<b>FUNCTIONAL EXPENSES</b>			
Membership	\$ 138,323	\$ -	\$ 138,323
Education and Certification	222,729	-	222,729
Marketing	17,377	-	17,377
Competitive Operations	242,795	-	242,795
National Team	836,060	-	836,060
Salaries and Benefits	297,489	60,069	357,558
Office	13,758	2,778	16,536
Professional Fees	19,994	4,037	24,031
Dues and Subscriptions	2,217	448	2,665
Cost of Merchandise	34,274	6,921	41,195
Occupancy	2,585	522	3,107
Officers' Expense	25,756	-	25,756
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 1,853,357</u>	<u>\$ 74,775</u>	<u>\$ 1,928,132</u>

See accompanying Notes to Financial Statements.

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

<b>FUNCTIONAL EXPENSES</b>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Functional Expenses</u>
Membership	\$ 133,007	\$ -	\$ 133,007
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	3,004	17,885
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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 1,804,146</u>	<u>\$ 64,184</u>	<u>\$ 1,868,330</u>

See accompanying Notes to Financial Statements.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 59,047	\$ (57,776)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Net Realized and Unrealized Gains on Investments	(5,062)	(6,745)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(40,525)	67,275
Grants Receivable	20,735	73,233
Contributions Receivable	3,165	(730)
Prepaid Expenses and Other Assets	(3,250)	(15,329)
Inventory	(6,443)	678
Beneficial interests in Perpetual Trusts	3,165	-
Accounts Payable	57,436	14,710
Accrued Expenses	10,688	(22,039)
Deferred Member Service Revenue	9,216	8,317
Net Cash Provided by Operating Activities	108,172	61,594
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(97,438)	(38,293)
Net Cash Used in Investing Activities	(97,438)	(38,293)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt / Capital Lease Obligation	(10,002)	(10,000)
Net Cash Used in Financing Activities	(10,002)	(10,000)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	732	13,301
Cash and Cash Equivalents, Beginning of Year	292,206	278,905
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 292,938	\$ 292,206
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 596	\$ 1,005

See accompanying Notes to Financial Statements.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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 consolidated financial statements in conformity with general accepted accounting principles in the United States of America 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**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.

**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, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

Inventory is comprised of USA Synchro's merchandise held for sale. Inventory is stated at the lower of cost (first-in, first-out) or net realizable value.

**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.

**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, 2017 and 2016, consisting primarily of software, is shown net of accumulated depreciation of \$19,515 and \$32,338, respectively.

**Accounting for Impairment of Long-lived Assets**

On an ongoing basis, USA Synchro reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount may be overstated. The organization recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows. No impairment loss was incurred in the year ended December 31, 2017.

**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.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Classifications (Continued)**

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 \$332,161 and \$212,389 at December 31, 2017 and 2016, respectively. Temporarily restricted net assets released from restriction due to meeting donor-imposed purpose restrictions were \$100,000 and \$106,000 for the years ended December 31, 2017 and 2016, respectively.

**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, 2017 and 2016.

**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, 2017 and 2016, 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.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 (Member Service), grants (including USOC funding) and contributions. Other sources of revenue include entry fees (Competitive Operations and Olympic International), clinic, and camp registrations (Education and Certification) and merchandise sales.

**In-kind Sponsorships and Donated Services**

Certain services and nonmonetary sponsorships were provided to USA Synchro in 2017 and 2016. Those nonmonetary 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 2017 and 2016 of \$68,015 and \$95,750, respectively, represents an estimate of the goods and services provided.

**Functional 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.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassification**

Certain reclassifications have been made in the 2016 financial statements to conform to the classifications used in the 2017 financial statements. The reclassifications have no effect on the overall net assets.

**Concentrations of Credit Risk**

USA Synchro places its cash and cash equivalents principally with one financial institution. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation. Management considers the risk of loss to be minimal.

**Subsequent Events**

Management evaluated subsequent events through June 14, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to June 14, 2018, that provided additional evidence about conditions that existed at December 31, 2017, have been recognized in the financial statements for the year ended December 31, 2017.

**New Accounting Standards**

**Presentation of Financial Statements of Nonprofit Entities**

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance regarding the presentation of the financial statements of not-for-profit entities to improve the information presented in the financial statements and noted about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires information regarding liquidity and the financial assets available to satisfy near-term demands for cash, requires inclusion of a statement of functional expenses, and alters the net asset classifications. The guidance also requires both qualitative and quantitative disclosures regarding the types of costs that can be allocated and management and general activities. The guidance will initially be applied using a retrospective approach.

The standard will be effective for the entity for annual periods beginning after December 15, 2018, and early adoption is permitted and encouraged. Management is evaluating the impact of the amended financial statement presentation guidance on the entity's financial statements.

**Inventory**

During 2017, the Organization adopted Accounting Standards Update No. 2015-11, Inventory. The new standard requires entities to measure inventory at the lower of cost and net realizable value, thereby simplifying the previous guidance under which an entity was required to measure inventory at the lower of cost of market. Adoption of the standard did not have a material impact to the financial statements.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Standards (Continued)**

**Revenue from Contracts with Customers**

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for periods beginning after December 15, 2016. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

**NOTE 2 INVESTMENTS**

Investments at December 31, 2017 were as follows:

	Cost	Fair Value
Bond Mutual Funds	\$ 50,000	\$ 52,638
Fixed Income	83,722	86,219
Mutual Funds	253,203	242,155
Total	<u>\$ 386,925</u>	<u>\$ 381,012</u>

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
Total	<u>\$ 289,487</u>	<u>\$ 278,512</u>

Investment return consists of the following for the years ended December 31, 2017 and 2016.

	2017	2016
Net Unrealized Gains	\$ 6,745	\$ 6,745
Investment Income	8,285	6,510
Total Investment Return	<u>\$ 15,030</u>	<u>\$ 13,255</u>

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 3 FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements* provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically ASC 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC 820 defines levels within the hierarchy as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active market;
- Level 2 – Quoted prices for similar assets and liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and,
- 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, 2017 or 2016.

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, 2017 or 2016.

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.

**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.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond Mutual Funds	\$ 52,638			\$ 52,638
Fixed Income Funds	86,219			86,219
Mutual Funds	242,155			242,155
Total	<u>\$ 381,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,012</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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

**NOTE 4 CONCENTRATIONS**

Grants received from the United States Olympic Committee accounted for 9% and 4% of USA Synchro's revenue for 2017 and 2016, respectively.

**NOTE 5 DEFERRED MEMBER SERVICE REVENUE**

Deferred member service revenue consisted of \$281,157 and \$271,941 in deferred membership revenue at December 31, 2017 and 2016, respectively.

**NOTE 6 LINE OF CREDIT**

USA Synchro has secured a \$225,000 revolving line of credit from PNC Bank. 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 (4.50% at December 31, 2017). The line of credit was renewed until January 27, 2019. No borrowings have occurred in 2017 and 2016.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 7 LOAN PAYABLE**

USA Synchro obtained an unsecured loan from the United States Synchronized Swimming Foundation (the Foundation) of \$50,000, which matured in August 2017. The loan required five annual payments due in August in the amount of \$10,596 that includes interest at 4%. The loan was repaid during 2017, and thus has a \$0 balance as of December 31, 2017.

**NOTE 8 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 \$64,100 and \$52,589 from the Foundation in 2017 and 2016, respectively. USA Synchro billed the Foundation \$5,000 in 2016 for administrative services provided by USA Synchro to the Foundation. USA Synchro had receivables from the Foundation of \$22,337 and \$19,360 at December 31, 2017 and 2016, 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 \$2,545 and \$7,360 in 2017 and 2016, respectively.

**NOTE 9 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, 2017 and 2016 were \$10,308 and \$10,974, respectively.

**NOTE 10 OPERATING LEASES**

USA Synchro incurred rent expense of \$3,107 and \$5,558 during 2017 and 2016, 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>
2018	\$ 3,878
2019	3,878
2020	3,878
Total	<u>\$ 11,634</u>

**UNITED STATES SYNCHRONIZED SWIMMING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 11 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, 2017 and 2016, respectively:

	2017	2016
Masters Program	\$ 12,508	\$ 11,736
Association Fund	653	653
United States Olympic Committee Fund	19,000	-
Time Restricted Grants and Contributions	300,000	200,000
Total Temporarily Restricted Net Assets	\$ 332,161	\$ 212,389

**NOTE 12 SUBSEQUENT EVENTS**

In March 2018, Myriam Glez, Executive Director, resigned from USA Synchro. Management is currently searching for a replacement, but the position remains vacant.

During 2018, USA Synchro has been required by a United States House of Representatives Committee and United States Senate Committee to respond to certain accusations against the USOC. The organization has incurred significant legal expenses regarding this matter but has not been noted in any legal action taken. As such, there is no accrual necessary for potential litigation against USA Synchro.