

UNITED STATES SYNCHRONIZED SWIMMING, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

**UNITED STATES SYNCHRONIZED SWIMMING, INC.
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YEARS ENDED DECEMBER 31, 2015 AND 2014**

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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. (US Synchro), which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 20, 2016

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 278,905	\$ 242,626
Investments	233,474	189,174
Accounts Receivable, Net of Allowance of Uncollectible Accounts of \$5,550 in 2015 and 2014	172,646	65,121
Inventory	9,564	9,745
Prepaid Expenses and Other Current Assets	49,325	36,088
	743,914	542,754
Total Current Assets	743,914	542,754
PROPERTY AND EQUIPMENT		
Office Furniture and Equipment	10,918	51,290
Computer Equipment	3,000	5,683
Software	18,420	18,420
	32,338	75,393
Less Accumulated Depreciation	(32,338)	(70,807)
	-	4,586
Total Property and Equipment	-	4,586
TOTAL ASSETS	\$ 743,914	\$ 547,340

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Accounts Payable	\$ 55,705	\$ 39,724
Accrued Liabilities	54,137	20,604
Deferred Revenue	263,624	271,254
Current Portion of Long-Term Debt	10,002	14,159
	<hr/>	<hr/>
Total Current Liabilities	383,468	345,741
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Deferred Rent	-	13,609
Loan Payable, Net of Current Portion	10,000	20,000
Capital Lease Payable, Net of Current Portion	-	1,089
	<hr/>	<hr/>
Total Long-Term Liabilities	10,000	34,698
	<hr/>	<hr/>
TOTAL LIABILITIES	393,468	380,439
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	232,765	106,280
Temporarily Restricted	117,681	60,621
	<hr/>	<hr/>
Total Net Assets	350,446	166,901
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 743,914	\$ 547,340
	<hr/> <hr/>	<hr/> <hr/>

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT						
United States Olympic Committee Funding	\$ 146,722	\$ 6,000	\$ 152,722	\$ 321,059	\$ -	\$ 321,059
Grants	95,430	-	95,430	75,826	-	75,826
Contributions	82,768	200,000	282,768	111,563	100,000	211,563
Member Services	448,030	1,060	449,090	441,251	188	441,439
Marketing	196,572	-	196,572	46,028	-	46,028
Competitive Operations	206,938	-	206,938	140,298	-	140,298
Olympic International	186,696	-	186,696	106,521	-	106,521
Administrative Income	102,300	-	102,300	84,426	-	84,426
Merchandise	8,110	-	8,110	3,811	-	3,811
Education and Certification	151,978	-	151,978	150,367	-	150,367
Net Assets Released from Restrictions	150,000	(150,000)	-	56,500	(56,500)	-
Total Revenues and Other Support	1,775,544	57,060	1,832,604	1,537,650	43,688	1,581,338
EXPENSES						
Program	1,582,869	-	1,582,869	1,479,108	-	1,479,108
General and Administrative	66,190	-	66,190	69,978	-	69,978
Total Expenses	1,649,059	-	1,649,059	1,549,086	-	1,549,086
CHANGES IN NET ASSETS	126,485	57,060	183,545	(11,436)	43,688	32,252
NET ASSETS, BEGINNING OF YEAR	106,280	60,621	166,901	118,216	16,433	134,649
NET ASSETS, END OF YEAR	\$ 232,765	\$ 117,681	\$ 350,446	\$ 106,780	\$ 60,121	\$ 166,901

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'	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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Total Program Services	Management and General	Total Functional Expenses
EXPENSES			
Membership	\$ 106,029	\$ -	\$ 106,029
Education and Certification	116,339	-	116,339
Marketing	37,833	-	37,833
Competitive Operations	141,528	-	141,528
National Team	710,883	-	710,883
Salaries and Benefits	268,069	54,129	322,198
Office	12,182	2,460	14,642
Professional Fees	24,898	5,028	29,926
Dues and Subscriptions	2,883	582	3,465
Cost of Merchandise	1,210	244	1,454
Occupancy	30,409	6,140	36,549
Officers'	19,939	-	19,939
Interest	1,790	362	2,152
Depreciation	5,116	1,033	6,149
TOTAL EXPENSES	\$ 1,479,108	\$ 69,978	\$ 1,549,086

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 183,545	\$ 32,251
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	3,363	6,149
Loss on Disposal of Asset	1,223	-
Net Realized and Unrealized Losses on Investments	9,467	268
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(107,525)	(4,132)
Pledges Receivable	-	5,530
Prepaid Expenses and Other Assets	(13,237)	(4,088)
Inventory	181	466
Accounts Payable	15,981	(80)
Accrued Expenses	33,533	(15,860)
Deferred Rent	(13,609)	(1,061)
Deferred Revenue	(7,630)	17,206
	105,292	36,649
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(53,767)	(52,163)
Proceeds from Sale of Investments	-	11,568
	(53,767)	(40,595)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt / Capital Lease Obligation	(15,246)	(13,859)
	(15,246)	(13,859)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,279	(17,805)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	242,626	260,431
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 278,905	\$ 242,626
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 267	\$ 2,152
 SUPPLEMENTAL NON-CASH INVESTING INVESTING AND FINANCING INFORMATION		
Loan Payment Using Reduction in Accounts Receivable	\$ 10,000	\$ 10,000

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United States Synchronized Swimming, Inc. (US Synchro) was established for the development and promotion of amateur synchronized swimming in the United States. US 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 US Synchro. The unrestricted net assets may be used to support US Synchro's purposes and operations.

TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net asset class includes assets of US 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 US Synchro programs total \$117,181 and \$60,121 at December 31, 2015 and 2014, respectively. Temporarily restricted net assets released from restriction due to meeting donor-imposed purpose restrictions were \$150,000 and \$56,500 for the years ended December 31, 2015 and 2014, respectively.

PERMANENTLY RESTRICTED NET ASSETS

The permanently restricted net asset class includes assets of US 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. US Synchro did not have any permanently restricted net assets at December 31, 2015 and 2014.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

The Internal Revenue Service (IRS) has ruled that US 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 US 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, US 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). US 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 US Synchro and recognize a tax liability (or asset) if US 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 US Synchro, and has concluded that as of December 31, 2015 and 2014, 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

USSSI 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 US 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.

US 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.

US 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, US 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.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUNCTIONAL ALLOCATION OF EXPENSES (continued)

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

Program: US 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 US Synchro, and include expenses for activities of the governing board, business management, general record keeping, and budgeting.

CASH AND CASH EQUIVALENTS

US 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.

US Synchro maintains its checking and savings accounts at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Periodically throughout the year, US Synchro's cash balances may exceed this FDIC insurance coverage limit; however, management does not anticipate non-performance by the institutions.

IN-KIND SPONSORSHIPS AND DONATED SERVICES

Certain services and non-monetary sponsorships were provided to US Synchro in 2015 and 2014. 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 2015 and 2014 of \$79,216 and \$92,684, 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.

US 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.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE

US 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 US Synchro's historical losses, general economic conditions, and results of collection activities.

INVENTORY

Inventory is comprised of US 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, 2015 and 2014, consisting primarily of furniture and equipment, is shown net of accumulated depreciation of \$0 and \$4,586, respectively.

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

US 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.

SUBSEQUENT EVENTS

Management evaluated subsequent events through June 20, 2016, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2015, but prior to June 20, 2016, that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, 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, 2015.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – INVESTMENTS

Investments at December 31, 2015 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
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>

Investments at December 31, 2014 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Bond Mutual Funds	\$ 50,000	\$ 54,764
Fixed Income	78,471	78,940
Mutual Funds	68,086	55,470
	<u>\$ 196,557</u>	<u>\$ 189,174</u>

Investment return consists of the following for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Net Unrealized Gains (Losses)	\$ (9,467)	\$ 1,433
Net Realized Gains (Losses)	-	(1,701)
	<u>(9,467)</u>	<u>(268)</u>
Investment Income	5,493	4,655
Total Investment Return	<u>\$ (3,974)</u>	<u>\$ 4,387</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

US 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 US Synchro has the ability to access.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

- 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, 2015 or 2014.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. US Synchro had no assets or liabilities measured on a nonrecurring basis at December 31, 2015 or 2014.

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.

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

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

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The following table presents assets and liabilities of US Synchro's investments measured at fair value by classification within the fair value hierarchy as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond Mutual Funds	\$ 54,764			\$ 54,764
Fixed Income Funds	78,940			78,940
Mutual Funds	55,470			55,470
Total	<u>\$ 189,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,174</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Life Membership Receivable	\$ 17,285	\$ 20,235
Other Accounts Receivable	160,911	50,436
Allowance for Doubtful Accounts	(5,550)	(5,550)
Total Accounts Receivable	<u>\$ 172,646</u>	<u>\$ 65,121</u>

NOTE 5 – DEFERRED REVENUE

Deferred revenue consisted of \$263,624 and \$271,254 in deferred membership revenue at December 31, 2015 and 2014, respectively.

NOTE 6 – LINE OF CREDIT

US Synchro secured a \$225,000 revolving line of credit from PNC Bank, expiring January 27, 2017. This line is collateralized by all of US Synchro's assets. Interest is payable monthly on outstanding balances at an interest rate of .5% over prime rate (3.25% at December 31, 2015). No borrowings have occurred in 2015 and 2014.

NOTE 7 – LOAN PAYABLE

US 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:

2016	\$ 9,995
2017	10,007
	<u>\$ 20,002</u>

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 – CAPITAL LEASE

US 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>2015</u>	<u>2014</u>
Office Equipment	\$ 3,000	\$ 18,345
Less Accumulated Amortization	(3,000)	(13,759)
	<u>\$ -</u>	<u>\$ 4,586</u>

NOTE 9 – RELATED PARTIES

The Foundation was established in 1984 for the benefit of US Synchro. The Foundation is governed by a Board of Directors which is elected by the members of US Synchro. US Synchro was awarded and received \$71,000 and \$91,673 from the Foundation in 2015 and 2014, respectively. US Synchro billed the Foundation \$5,000 in 2015 and \$4,000 in 2014 for administrative services provided by US Synchro to the Foundation. US Synchro had receivables from the Foundation of \$84,633 and \$29,579 at December 31, 2015 and 2014, respectively. The receivables included expenses paid by US Synchro on behalf of the Foundation. See the Note 7 for the details of a loan from the Foundation.

US Synchro received donations from board members and management of \$2,840 and \$12,275 in 2015 and 2014, respectively.

NOTE 10 – RETIREMENT PLAN

US Synchro maintains a tax-deferred compensation plan under Section 403(b)(7) of the Internal Revenue Code. The pension plan provides that US 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 US Synchro to this plan during the years ended December 31, 2015 and 2014 were \$11,712 and \$10,936, respectively.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 11 – OPERATING LEASES

US Synchro leases office space under an agreement which expires December 31, 2020. In May 2014, the lease was amended to redistribute square footage and allocated rent schedule for the remaining of lease. US Synchro incurred rent expense of \$20,009 and \$36,548 during 2015 and 2014, respectively. Payments for the lease started at \$3,867 per month after four months of free rent. The total cost of the lease, as amended, of \$159,291 is recognized equally over the remaining 80 months remaining of the lease of occupancy at the rate of \$1,991 per month. This resulted in recognizing deferred rent of \$13,609 at December 31, 2014. In November 2015, US Synchro cancelled the lease and relocated to Colorado.

In 2013, US Synchro began subleasing space to an unrelated organization. The sublease expired in 2014, and was not renewed due to the redistribution of square footage allocated to them directly in the amended lease agreement. Total rent income was \$5,000 in 2014. There are no future minimum lease payments under the sublease agreement at December 31, 2014.

In November 2015, US Synchro entered into a sublease agreement which expires December 31, 2016. The future minimum rental payments remaining on the lease are \$4,501.

NOTE 12 – CONCENTRATIONS

Grants received from the United States Olympic Committee accounted for 8% and 20% of US Synchro's revenue for 2015 and 2014, respectively.

NOTE 13 – RESTRICTED ASSETS

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

The temporarily restricted new assets have been segregated as follows at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Masters Program	\$ 11,028	\$ 9,468
Association Fund	653	653
United States Olympic Committee Fund	6,000	-
Time Restricted Grants and Contributions	100,000	50,000
Total Temporarily Restricted Net Assets	<u>\$ 117,681</u>	<u>\$ 60,121</u>

NOTE 14 – VALUE IN-KIND DONATIONS

US Synchro has recognized \$79,216 and \$92,684 of in-kind sponsorships, airline tickets and equipment for the years ended December 31, 2015 and 2014, respectively.