

UNITED STATES SYNCHRONIZED SWIMMING, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

UNITED STATES SYNCHRONIZED SWIMMING, INC.
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YEARS ENDED DECEMBER 31, 2018 AND 2017

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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. (USA Synchro), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2018 and 2017, 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.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, was adopted by the organization. The update includes additional disclosures regarding the liquidity of the organization and requires a statement of functional expenses. This standard has been applied retrospectively to all periods presented.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
November 27, 2019

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 273,973	\$ 292,938
Investments	394,589	381,012
Accounts Receivable, Net of Allowance of Uncollectible Accounts of \$2,000 in 2018 (2017; \$5,550)	70,084	48,763
Inventory	14,314	15,329
Contributions Receivable	3,415	14,850
Prepaid Expenses and Other Current Assets	68,207	50,619
Total Current Assets	824,582	803,511
PROPERTY AND EQUIPMENT		
Office Furniture and Equipment	1,095	1,095
Software	18,420	18,420
Total	19,515	19,515
Less: Accumulated Depreciation	(19,515)	(19,515)
Total Property and Equipment	-	-
Total Assets	\$ 824,582	\$ 803,511
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 76,228	\$ 127,851
Accrued Liabilities	25,285	42,786
Deferred Member Service Revenue	260,629	281,157
Total Current Liabilities	362,142	451,794
NET ASSETS		
Without Donor Restrictions	34,064	19,556
With Donor Restrictions:		
Purpose Restrictions	28,376	32,161
Time-Restricted for Future Periods	400,000	300,000
Total With Donor Restrictions	428,376	332,161
Total Net Assets	462,440	351,717
Total Liabilities and Net Assets	\$ 824,582	\$ 803,511

See accompanying Notes to Financial Statements.

**UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT						
United States Olympic Committee Funding	\$ 141,180	\$ -	\$ 141,180	143,750	\$ 19,000	\$ 162,750
Grants	67,692	-	67,692	75,377	-	75,377
Contributions	30,444	200,000	230,444	31,130	200,000	231,130
Member Services	451,126	215	451,341	426,032	772	426,804
Marketing	47,887	-	47,887	45,482	-	45,482
Competitive Operations	351,183	-	351,183	342,465	-	342,465
Olympic International	147,858	-	147,858	294,887	-	294,887
Administrative Income	4,643	-	4,643	13,971	-	13,971
Merchandise	20,429	-	20,429	70,362	-	70,362
Education and Certification	230,676	-	230,676	255,936	-	255,936
In-Kind Sponsorships and Donated Services	16,520	-	16,520	68,015	-	68,015
Net Assets Released from Restrictions	104,000	(104,000)	-	100,000	(100,000)	-
Total Revenues and Other Support	1,613,638	96,215	1,709,853	1,867,407	119,772	1,987,179
FUNCTIONAL EXPENSES						
Program Services:						
Memberships	242,582	-	242,582	266,481	-	266,481
Competitive Operations	289,191	-	289,191	315,344	-	315,344
Education	226,371	-	226,371	297,505	-	297,505
Marketing	61,182	-	61,182	93,042	-	93,042
Olympic Competition	717,825	-	717,825	855,229	-	855,229
Total Program Expenses	1,537,150	-	1,537,150	1,827,601	-	1,827,601
Supporting Services:						
General and Administrative	61,980	-	61,980	100,531	-	100,531
Total Expenses	1,599,130	-	1,599,130	1,928,132	-	1,928,132
CHANGES IN NET ASSETS	14,508	96,215	110,723	(60,725)	119,772	59,047
Net Assets - Beginning of Year	19,556	332,161	351,717	80,281	212,389	292,670
NET ASSETS - END OF YEAR	<u>\$ 34,064</u>	<u>\$ 428,376</u>	<u>\$ 462,440</u>	<u>\$ 19,556</u>	<u>\$ 332,161</u>	<u>\$ 351,717</u>

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Activities					Total Program Activities	General and Administrative	Total Functional Expenses
	Memberships	Competitive Operations	Education	Marketing	Olympic Competition			
FUNCTIONAL EXPENSES								
Program Activities	\$ 174,242	\$ 234,046	\$ 169,534	\$ 3,668	\$ 674,182	\$ 1,255,672	\$ -	\$ 1,255,672
Salaries and Benefits	51,532	41,583	42,858	43,369	32,909	212,252	42,858	255,110
Office	1,319	1,065	1,097	1,110	843	5,435	1,097	6,532
Professional Fees	11,368	9,173	9,454	9,567	7,260	46,822	9,454	56,276
Dues and Subscriptions	364	293	302	306	232	1,498	302	1,800
Cost of Merchandise	1,981	1,599	1,648	1,667	1,265	8,159	1,648	9,807
Occupancy	368	297	306	309	235	1,514	306	1,820
Bad Debt	1,408	1,136	1,171	1,185	899	5,799	1,171	6,970
Officers' Expense	-	-	-	-	-	-	5,143	5,143
Total Functional Expenses	<u>\$ 242,582</u>	<u>\$ 289,191</u>	<u>\$ 226,371</u>	<u>\$ 61,182</u>	<u>\$ 717,825</u>	<u>\$ 1,537,150</u>	<u>\$ 61,980</u>	<u>\$ 1,599,130</u>

See accompanying Notes to Financial Statements.

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

	Program Activities					Total Program Activities	General and Administrative	Total Functional Expenses
	Memberships	Competitive Operations	Education	Marketing	Olympic Competition			
FUNCTIONAL EXPENSES								
Program Activities	\$ 176,573	\$ 242,795	\$ 222,729	\$ 17,377	\$ 797,812	\$ 1,457,286	\$ -	\$ 1,457,286
Salaries and Benefits	72,227	58,282	60,070	60,785	46,125	297,489	60,070	357,559
Office	3,340	2,695	2,778	2,811	2,133	13,757	2,778	16,535
Professional Fees	4,854	3,917	4,037	4,085	3,100	19,993	4,037	24,030
Dues and Subscriptions	538	434	448	453	344	2,217	448	2,665
Cost of Merchandise	8,321	6,715	6,921	7,003	5,314	34,274	6,921	41,195
Occupancy	628	506	522	528	401	2,585	522	3,107
Officers' Expense	-	-	-	-	-	-	25,755	25,755
Total Functional Expenses	<u>\$ 266,481</u>	<u>\$ 315,344</u>	<u>\$ 297,505</u>	<u>\$ 93,042</u>	<u>\$ 855,229</u>	<u>\$ 1,827,601</u>	<u>\$ 100,531</u>	<u>\$ 1,928,132</u>

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 110,723	\$ 59,047
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	20,345	(5,062)
Provisions for Doubtful Accounts	3,420	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(17,771)	(40,525)
Grants Receivable	(4,465)	20,735
Contributions Receivable	4,465	3,165
Prepaid Expenses and Other Assets	(17,588)	(3,250)
Inventory	1,015	(6,443)
Beneficial Interests in Perpetual Trusts	4,465	3,165
Accounts Payable	(51,623)	57,436
Accrued Expenses	(17,501)	10,688
Deferred Member Service Revenue	(20,528)	9,216
Net Cash Provided by Operating Activities	14,957	108,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(33,922)	(97,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	-	(10,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,965)	732
Cash and Cash Equivalents - Beginning of Year	292,938	292,206
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 273,973	\$ 292,938
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	\$ -	\$ 596

See accompanying Notes to Financial Statements.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. USA Synchro has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 net assets with donor restrictions are recorded as net assets with donor restrictions 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.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 collectibility 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.

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, 2018 and 2017, consisting primarily of software, is shown net of accumulated depreciation of \$19,515.

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, 2018.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classifications

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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, 2018 and 2017, 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. The U.S. federal and state income tax returns of USA Synchro are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

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.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Other Support (Continued)

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 2018 and 2017. 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 2018 and 2017 of \$16,520 and \$68,015, respectively, represents an estimate of the goods and services provided.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, office, professional fees, dues and subscriptions, cost of merchandise, occupancy, and bad debt. Program activities and officers' expense are directly charged to the programs or supporting services benefited.

Liquidity

USA Synchro has \$756,375 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents of \$273,973, investments of \$394,589, accounts receivable of \$70,084, inventory of \$14,314, and contributions receivable of \$3,415. \$428,376 of net assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. As part of its liquidity management, USA Synchro invests cash in excess of daily requirements in various short-term investments including mutual funds and fixed income funds.

Reclassification

Certain reclassifications have been made in the 2017 financial statements to conform to the classifications used in the 2018 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.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through November 27, 2019, the date the financial statements were available to be issued.

New Accounting Standards

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. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

NOTE 2 INVESTMENTS

Investments at December 31, 2018 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 420,847</u>	<u>\$ 394,589</u>

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 INVESTMENTS

Investments at December 31, 2017 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 386,925</u>	<u>\$ 381,012</u>

Investment return consists of the following for the years ended December 31.

	<u>2018</u>	<u>2017</u>
Net Unrealized Gains (Losses)	<u>\$ (20,345)</u>	<u>\$ 5,062</u>
Investment Income	<u>9,086</u>	<u>8,285</u>
Total Investment Return (Loss)	<u>\$ (11,259)</u>	<u>\$ 13,347</u>

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, 2018 or 2017.

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, 2018 or 2017.

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, 2018 AND 2017

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 394,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,589</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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income Funds	<u>\$ 86,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,219</u>
Mutual Funds	<u>294,793</u>	<u>-</u>	<u>-</u>	<u>294,793</u>
Total	<u>\$ 381,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,012</u>

NOTE 4 CONCENTRATIONS

Grants received from the United States Olympic Committee accounted for 8% of USA Synchro's revenue for 2018 and 2017, respectively.

NOTE 5 DEFERRED MEMBER SERVICE REVENUE

Deferred member service revenue consisted of \$260,629 and \$281,157 in deferred membership revenue at December 31, 2018 and 2017, 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 (5.35% at December 31, 2018). The line of credit was renewed until January 27, 2020. No borrowings have occurred in 2018 and 2017.

UNITED STATES SYNCHRONIZED SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

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 \$67,169 and \$64,100 from the Foundation in 2018 and 2017, respectively. USA Synchro billed the Foundation \$8,400 in 2018 for administrative services provided by USA Synchro to the Foundation. USA Synchro had receivables from the Foundation of \$15,859 and \$22,337 at December 31, 2018 and 2017, respectively. The receivables included expenses paid by USA Synchro on behalf of the Foundation. See Note 7 for the details of a loan from the Foundation.

USA Synchro received donations from board members and management of \$1,050 and \$2,545 in 2018 and 2017, 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, 2018 and 2017 were \$8,697 and \$10,308, respectively.

NOTE 10 OPERATING LEASES

USA Synchro incurred rent expense of \$1,820 and \$3,107 during 2018 and 2017, 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>
2019	\$ 1,759
2020	1,759
Total	<u>\$ 3,518</u>

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NOTE 11 RESTRICTED ASSETS

Contributions to USA Synchro which are subject to donor-imposed restrictions are net assets with donor restrictions. 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.

Net assets with donor restrictions have been segregated as follows at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Masters Program	\$ 12,723	\$ 12,508
Association Fund	653	653
United States Olympic Committee Fund	15,000	19,000
Time Restricted Grants and Contributions	<u>400,000</u>	<u>300,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 428,376</u>	<u>\$ 332,161</u>

Net assets with donor restriction released from restriction for the years ended December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Purpose Restrictions Accomplished:		
United States Olympic Committee Fund	\$ 4,000	\$ -
Time Restrictions Accomplished:		
Time Restricted Grants and Contributions	<u>100,000</u>	<u>100,000</u>
Total Restrictions Released	<u>\$ 104,000</u>	<u>\$ 100,000</u>