

United States Masters Swimming, Inc.

Financial Statements and
Independent Auditor's Report
December 31, 2023

(With Summarized Financial Information
as of December 31, 2022)

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Independent Auditor's Report

The Board of Directors
United States Masters Swimming, Inc.
Sarasota, Florida

Opinion

We have audited the financial statements of United States Masters Swimming, Inc. ("USMS"), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of USMS as of December 31, 2023, and the change in its net assets, cash flows, and functional expenses for the year ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USMS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USMS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USMS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USMS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2022 financial statements of USMS, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Sarasota, Florida
July 15, 2024

United States Masters Swimming, Inc.

Statement of Financial Position

December 31, 2023

(With Summarized Comparative Totals For 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Assets				
Cash and cash equivalents	\$ 1,137,605	\$ 180,876	\$ 1,318,481	\$ 1,536,232
Accounts receivable	77,853	-	77,853	105,515
Investments	3,384,363	399,027	3,783,390	3,393,337
Prepaid expenses	264,748	-	264,748	203,754
Property and equipment, net	817,835	-	817,835	780,935
Right-of-use lease asset	-	-	-	148,350
Goodwill, net	118,000	-	118,000	-
Beneficial interest in assets held by Endowment Fund	-	416,399	416,399	396,940
	<u>5,800,404</u>	<u>996,302</u>	<u>6,796,706</u>	<u>6,565,063</u>
Total Assets	\$ 5,800,404	\$ 996,302	\$ 6,796,706	\$ 6,565,063
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 489,064	\$ -	\$ 489,064	\$ 393,267
Due to LMSCs and clubs, net	300,673	-	300,673	284,605
Deferred revenue	1,936,022	-	1,936,022	1,785,467
Other liabilities	79,030	-	79,030	37,849
Lease liability	-	-	-	150,662
Total liabilities	<u>2,804,789</u>	<u>-</u>	<u>2,804,789</u>	<u>2,651,850</u>
Net Assets:				
Without donor restrictions:				
Board designated - General Reserve	2,366,546	-	2,366,546	2,044,200
Board designated - Opportunity Reserve	600,000	-	600,000	600,000
Undesignated net assets	29,069	-	29,069	338,052
Total net assets without donor restrictions	<u>2,995,615</u>	<u>-</u>	<u>2,995,615</u>	<u>2,982,252</u>
With donor restrictions:				
Purpose restriction - Swimming Saves Lives	-	579,903	579,903	534,021
Purpose restriction - unappropriated endowment income	-	70,262	70,262	50,803
Perpetual in nature - Endowment Fund	-	346,137	346,137	346,137
Total net assets with donor restrictions	<u>-</u>	<u>996,302</u>	<u>996,302</u>	<u>930,961</u>
Total net assets	<u>2,995,615</u>	<u>996,302</u>	<u>3,991,917</u>	<u>3,913,213</u>
Total Liabilities and Net Assets	<u>\$ 5,800,404</u>	<u>\$ 996,302</u>	<u>\$ 6,796,706</u>	<u>\$ 6,565,063</u>

See accompanying notes to financial statements.

United States Masters Swimming, Inc.

Statement of Activities

Year Ended December 31, 2023

(With Summarized Comparative Totals For 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Revenues and Other Support:				
Membership dues	\$ 3,166,649	\$ -	\$ 3,166,649	\$ 2,862,499
Sponsorships	353,781	-	353,781	289,146
Contributions	-	213	213	12
Championship meets and events	313,431	-	313,431	219,084
Publications	15,223	-	15,223	28,762
In-kind contributions	49,870	-	49,870	82,994
Continuing education	113,930	-	113,930	122,933
Other revenue	48,500	-	48,500	22,314
Total revenues and other support	<u>4,061,384</u>	<u>213</u>	<u>4,061,597</u>	<u>3,627,744</u>
Net assets released from restrictions	<u>23,090</u>	<u>(23,090)</u>	<u>-</u>	<u>-</u>
Total revenues, other support, and releases	<u>4,084,474</u>	<u>(22,877)</u>	<u>4,061,597</u>	<u>3,627,744</u>
Functional Expenses:				
Program services:				
Member services	2,466,146	-	2,466,146	2,170,999
Education services	229,222	-	229,222	194,398
Events	650,812	-	650,812	561,872
College Club	342,711	-	342,711	301,298
Grown Up Swimming	16,323	-	16,323	-
Total program services	<u>3,705,214</u>	<u>-</u>	<u>3,705,214</u>	<u>3,228,567</u>
Supporting services:				
General and administrative:				
Administrative volunteers	540,338	-	540,338	587,781
Staff	264,988	-	264,988	240,974
Total general and administrative	<u>805,326</u>	<u>-</u>	<u>805,326</u>	<u>828,755</u>
Fundraising/USA Swimming Foundation	42,298	-	42,298	39,767
Total supporting services	<u>847,624</u>	<u>-</u>	<u>847,624</u>	<u>868,522</u>
Total functional expenses	<u>4,552,838</u>	<u>-</u>	<u>4,552,838</u>	<u>4,097,089</u>
Change in net assets from operations	<u>(468,364)</u>	<u>(22,877)</u>	<u>(491,241)</u>	<u>(469,345)</u>
Non-Operating Activities:				
Net investment return (loss)	482,619	45,669	528,288	(683,834)
Change in value of beneficial interest in assets held by Endowment Fund	-	42,549	42,549	(49,192)
Other income (expense)	(892)	-	(892)	3,500
Total non-operating activities	<u>481,727</u>	<u>88,218</u>	<u>569,945</u>	<u>(729,526)</u>
Change in net assets	13,363	65,341	78,704	(1,198,871)
Net assets, beginning of year	<u>2,982,252</u>	<u>930,961</u>	<u>3,913,213</u>	<u>5,112,084</u>
Net assets, end of year	<u>\$ 2,995,615</u>	<u>\$ 996,302</u>	<u>\$ 3,991,917</u>	<u>\$ 3,913,213</u>

See accompanying notes to financial statements.

United States Masters Swimming, Inc.

Statement of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 78,704	\$ (1,198,871)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	226,393	169,671
Net realized and unrealized (gains) losses on investments	(371,803)	801,578
Change in value of beneficial interest in assets held by Endowment Fund	(42,549)	49,192
Non-cash lease expense	-	2,312
Loss on disposal of property and equipment	4,264	-
Change in operating assets:		
Accounts receivable	27,662	46,665
Prepaid expenses	(60,994)	(23,355)
Change in operating liabilities:		
Accounts payable and accrued expenses	95,797	59,362
Due to LMSCs and clubs, net	16,068	54,937
Deferred revenue	150,555	201,853
Other liabilities	(28,819)	(30,512)
Net cash provided by operating activities	<u>95,278</u>	<u>132,832</u>
Cash Flows from Investing Activities:		
Transfers from Endowment Fund, net	23,090	27,156
Purchases of investments	(1,054,776)	(313,417)
Sales of investments	1,034,213	455,162
Purchases of property and equipment	(265,556)	(340,072)
Acquisition of Grown Up Swimming	(50,000)	-
Net cash used in investing activities	<u>(313,029)</u>	<u>(171,171)</u>
Net change in cash and cash equivalents	(217,751)	(38,339)
Cash and cash equivalents, beginning of the year	<u>1,536,232</u>	<u>1,574,571</u>
Cash and cash equivalents, end of the year	<u>\$ 1,318,481</u>	<u>\$ 1,536,232</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 1,628</u>	<u>\$ -</u>
Non-cash Investing Activities:		
Goodwill purchase included in other liabilities	<u>\$ 70,000</u>	<u>\$ -</u>

See accompanying notes to financial statements.

United States Masters Swimming, Inc.

Statement of Functional Expenses

Year Ended December 31, 2023

(With Summarized Comparative Totals For 2022)

	Program Services						Supporting Services					2023 Total Functional Expenses	2022 Total Functional Expenses
	Member Services	Education Services	Events	College Club	Grown Up Swimming	Total Program Services	Administrative Volunteers	Staff	Total General and Administrative	Fundraising/ USA Swimming Foundation			
Advertising and promotion	\$ 81,795	\$ 9,153	\$ 26,537	\$ 21,501	\$ 1,240	\$ 140,226	\$ 13,086	\$ 6,081	\$ 19,167	\$ 1,827	\$ 161,220	\$ 183,734	
Annual meeting	-	-	-	-	-	-	143,894	-	143,894	-	143,894	172,260	
Compensation	1,114,360	47,492	281,098	200,817	5,723	1,649,490	143,242	94,396	237,638	29,370	1,916,498	1,772,206	
Depreciation and amortization	124,986	5,610	33,210	23,337	2,000	189,143	22,215	11,444	33,659	3,591	226,393	169,671	
Grants and donations	-	-	7,200	-	-	7,200	-	-	-	-	7,200	13,450	
Information technology	330,916	17,183	40,431	4,710	276	393,516	26,994	18,111	45,105	45	438,666	276,312	
Insurance	222,035	10,841	54,184	36,538	-	323,598	33,818	50,450	84,268	5,466	413,332	378,907	
Occupancy	46,566	33,042	11,899	8,497	-	100,004	7,567	3,969	11,536	1,238	112,778	86,285	
Office	147,556	8,470	8,574	4,894	123	169,617	2,177	5,542	7,719	405	177,741	157,283	
Outside services	4,466	25,283	83,877	20,422	-	134,048	4,110	1,150	5,260	44	139,352	128,999	
Professional services and fees	22,872	7,533	843	1,252	4,657	37,157	16,395	51,631	68,026	147	105,330	131,111	
Publications	244,405	-	-	-	-	244,405	-	-	-	-	244,405	194,989	
Registration expenses	109,437	2,222	40,547	2,170	-	154,376	497	-	497	-	154,873	121,677	
Travel	16,752	62,393	62,412	18,573	2,304	162,434	126,343	22,214	148,557	165	311,156	310,205	
Total functional expenses	<u>\$ 2,466,146</u>	<u>\$ 229,222</u>	<u>\$ 650,812</u>	<u>\$ 342,711</u>	<u>\$ 16,323</u>	<u>\$ 3,705,214</u>	<u>\$ 540,338</u>	<u>\$ 264,988</u>	<u>\$ 805,326</u>	<u>\$ 42,298</u>	<u>\$ 4,552,838</u>	<u>\$ 4,097,089</u>	
Percent of total	<u>54%</u>	<u>5%</u>	<u>14%</u>	<u>8%</u>	<u>0%</u>	<u>81%</u>	<u>12%</u>	<u>6%</u>	<u>18%</u>	<u>1%</u>	<u>100%</u>		

See accompanying notes to financial statements.

United States Masters Swimming, Inc.

Notes to Financial Statements

December 31, 2023

I. Description of Organization and Nature of Activities

United States Masters Swimming, Inc. (“USMS”) is a 501(c)(3) not-for-profit corporation organized to promote health, wellness, fitness and competition for adults through swimming. USMS is incorporated in the State of Florida. USMS is administered locally by affiliated Local Masters Swimming Committees (“LMSC”).

USMS serves its members with the following programs:

- Member Services (“MS”) includes exclusive fitness and health information and content via SWIMMER magazine, e-newsletters, and the website. MS provides supplemental insurance coverage during workouts, clinics, and competitions. Members are also eligible to receive discounts and benefits from sponsor partners. The charitable arm of USMS, the USA Swimming Foundation (“the Foundation”), allows members an opportunity to give back to the community through donations. Grants are awarded annually by the Foundation in support of adult learn to swim programs.
- Education Services (“ES”) includes club development and support to assist clubs and potential clubs in expanding or starting local programs. ES also trains coaches and instructors by conducting courses for coaches and adult learn-to-swim instructors.
- Events include providing structure and support, recognition, and communication services for swimming competitions and events. This includes Spring and Summer Nationals, open water swims, long-distance pool swims, virtual competitions, and fitness events, some of which also serve as fundraisers for the Foundation.
- College Club Swimming (“CCS”) provides the structure and support to unify college club swim programs across the country. CCS provides the rules, calendar of events, results database, and communications to registered clubs. CCS is run by an advisory board composed of CCS swimmers and is supported by USMS.
- Grown Up Swimming (“GUS”), which was acquired by USMS in 2023, is a recreational swim league geared towards adults.

The support for USMS Programs can be categorized into the following areas:

- Administrative Volunteers: This area includes administrative expenses incurred by volunteers and allocations of USMS national office expenses for overhead and staff compensation related to volunteer activities.
- Staff: This includes allocations of administrative expenses incurred by the USMS national office for overhead and staff compensation.
- Fundraising/USA Swimming Foundation: This includes advertising and promotional campaigns and allocations for staff compensation to encourage giving.

2. Summary of Significant Accounting Policies

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 the reporting period. Actual results could differ from those estimates.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

USMS considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of sponsorships. Management believes all balances are collectible; accordingly, no allowance for credit losses has been established. Receivables are unsecured and non-interest-bearing.

Investments

USMS records investments at fair value, which represents the value on the date of purchase plus reinvested earnings and unrealized appreciation or depreciation. Net investment return (loss) is reported as non-operational activities in the Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Realized and unrealized gains and losses are reported in the period in which they occur. Interest and dividends are recognized in the period in which they are earned.

Goodwill

USMS has elected the private company accounting alternative under ASU 2014-02, *Intangibles-Goodwill and Other*. This election eliminates the requirement to identify and separately value intangible assets associated with business combinations, instead allowing for the recognition of the entire intangible asset balance as goodwill. While this election does not relieve the requirement to test for impairment, it does require that goodwill recognized under this election be amortized over a maximum period of ten years. Goodwill is amortized over a period of ten years from the date of the business combination.

Property and Equipment, Net

Furniture and equipment are recorded at cost. Software developed or obtained for internal use is capitalized. The estimated useful lives of assets range from 3 to 5 years and are being depreciated or amortized using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining term of the lease.

Expenditures for major renewals and betterments that exceed \$5,000 and extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Net Assets

Net assets, revenue, and gains are classified based on the existence or absence of donor-imposed restrictions. When the purpose of the restriction is accomplished, net assets with donor restrictions are released from net assets with donor restrictions and recognized as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Accordingly, net assets of USMS and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Net assets with donor restrictions - Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of USMS or the passage of time. In accordance with the passage of the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"), all or part of the income earned on related Endowment Fund investments are considered net assets with donor restrictions until appropriated by the Board of Directors ("Board").

Other net assets with donor restrictions are perpetual in nature. These net assets are subject to donor-imposed stipulations that will be maintained permanently by USMS. Generally, the donors of these assets permit USMS to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition

Membership dues are recognized on a pro-rata basis in the calendar year(s) for which the membership applies. Amounts received pursuant to sponsorship agreements and championship meets and events are recognized as revenue when earned. Contributions, including unconditional promises to give, are recorded as revenue when a commitment is received. CCS fees are recognized on a pro-rata basis over the CCS swim season.

In-Kind Contributions

Donated goods and services are recorded at their estimated or actual fair market value at the date of the gift. USMS received donated legal services performed by Legal Counsel, a non-voting director, approximating \$15,750 during the year ended December 31, 2023. Additionally, during the year ended December 31, 2023, USMS received merchandise with an estimated value of \$34,120 from sponsors to be given to clubs and members at events. The merchandise also supports educational programs.

A substantial number of volunteers made significant contributions of their time to support the programs of USMS. The estimated value of these donated services has not been recorded in the accompanying financial statements since these services do not meet the criteria for recognition as donated revenue under GAAP.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Costs are allocated between the appropriate activities within program and supporting services. General and administrative expenses include expenses that are not directly identifiable with any specific function but provide for the overall support and direction of USMS. Expenses that are not identifiable to a specific activity are allocated based upon estimated time and effort and include compensation, depreciation, and other services expenses.

Deferred Revenue

Advances from member payments, club dues, and sponsorships are deferred and recognized as revenue in the year benefits and services are provided to members.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. USMS adopted Topic 842 on January 1, 2022 and made an accounting policy election under Topic 842 not to recognize right-of-use assets and liabilities for leases with a term of 12 months or less.

During 2023, USMS identified a replacement tenant for their previously leased office space in Sarasota, FL. USMS vacated the office space and terminated the lease agreement on June 30, 2023, and incurred approximately \$40,000 of costs related to the lease termination. The short-term lease payments and the payments for the previously leased office space are included within occupancy expense on the Statement of Functional Expenses.

Income Taxes

The Internal Revenue Service has determined that USMS is exempt from taxation and is not a private foundation pursuant to sections 501(c)(3) and 509(a) of the Internal Revenue Code. Therefore, USMS is generally exempt from federal and state income taxes. Unrelated business income, such as advertising and sponsorships, may be subject to federal and state taxes. For the year ended December 31, 2023, USMS did not incur any income tax expense.

Under the *Income Taxes* Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification, USMS has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with GAAP for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

USMS files federal and Florida income tax returns. The tax periods open to examination by these taxing jurisdictions to which USMS is subject include the years ended December 31, 2020, through December 31, 2023.

Summarized 2022 Financial Information

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Financial Instruments Not Measured at Fair Value

Certain financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses, amounts due to LMSCs and clubs, deferred revenue, and other liabilities.

Concentration of Credit Risk and Economic Risk

Financial instruments that potentially subject USMS to credit risk include cash and various investments. USMS places its cash and investments with high-credit quality financial institutions. During the year, USMS had deposits with financial institutions that exceeded FDIC insurance limits. USMS has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk from cash and cash equivalents.

Investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

To facilitate comparison of financial data, certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Liquidity and Availability

Financial assets total \$1,633,275 available within one year of the Statement of Financial Position date for general expenditures can be derived from the financial statements as follows:

	2023
Cash and cash equivalents	\$ 1,318,481
Accounts receivable	77,853
Investments	3,783,390
Beneficial interest in assets held by Endowment Fund	416,399
Total financial assets available	<u>5,596,123</u>
Less: Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(650,165)
Restricted by donors in perpetuity	(346,137)
Total amounts unavailable for general expenditures within one year	<u>(996,302)</u>
Amounts unavailable to management without Board approval:	
Board designated – General Reserve	(2,366,546)
Board designated – Opportunity Reserve	(600,000)
Total amounts unavailable without Board approval	<u>(2,966,546)</u>
Total financial assets available to management for general expenditure within one year	\$ <u>1,633,275</u>

USMS manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

The Endowment Fund consists of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

The Board designated net assets are classified as net assets without donor restrictions. The Board has established two reserves, the General Reserve and the Opportunity Reserve. Although USMS does not intend to spend from these reserves, except for the stated purposes, these amounts could be made available if necessary.

To further supplement liquidity, in March of 2024 USMS entered into a \$500,000 line of credit with a commercial bank which it can draw upon if conditions dictate.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

4. Beneficial Interest in Assets Held by Endowment Fund

USMS entered into an agreement with the Central Indiana Community Foundation (“CICF”), whereby USMS transferred assets to CICF in the establishment of an endowment fund known as the USMS Endowment Fund (“Endowment Fund”). The aforementioned agreement grants power to CICF, the terms of which include presumption of donor’s intent, variance from donor’s direction and amendments. Transfers and contributions to the Endowment Fund are irrevocable. Distributions of annual earnings (including net income and net appreciation, both realized and unrealized) are allocated to the Endowment Fund and are available for distribution in accordance with the spending policy established by the Board. See Note 10.

The Endowment Fund is a component part of CICF, and, as such, all assets of the Endowment Fund are held in the general assets of CICF. In the event USMS ceases to exist or the Endowment Fund is terminated, CICF shall devote any remaining assets of the Endowment Fund exclusively for charitable or other exempt purposes.

5. Investments

Investments as of December 31, 2023, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Equity Mutual Funds	\$ 1,185,952	\$ 2,017,464	\$ 831,512
Fixed Income Mutual Funds	1,084,930	984,048	(100,882)
Equity ETFs	181,301	284,069	102,768
Fixed Income ETFs	151,532	144,627	(6,905)
Alternative ETFs	18,880	20,885	2,005
United States Treasury Bills	328,712	332,297	3,585
Total investments	<u>\$ 2,951,307</u>	<u>\$ 3,783,390</u>	<u>\$ 832,083</u>

Net investment return (loss) is composed of the following for the year ended December 31, 2023:

Interest and dividend income	\$ 128,254
Realized and unrealized gains, net	420,955
Investment advisory fees	(20,921)
Total	<u>\$ 528,288</u>

6. Property and Equipment, Net

Property and equipment consist of the following as of December 31, 2023:

Furniture and equipment	\$ 17,471
Software	1,668,854
	<u>1,686,325</u>
Less: Accumulated depreciation and amortization	(868,490)
Property and equipment, net	<u>\$ 817,835</u>

Depreciation expense for the year ended December 31, 2023, totaled \$224,393.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

7. Acquisition of Grown Up Swimming (GUS)

During the year, USMS entered into an agreement to purchase the assets of GUS. The purchase price was \$120,000 of which \$50,000 was paid on the closing date with the remaining \$70,000 to be paid as contingent consideration based upon the future performance of GUS. The amounts will be paid regardless of the sellers employment and is therefore considered a component of the purchase price.

The value of the physical and intangible assets purchased was negligible and therefore the entire purchase price was allocated to Goodwill.

The agreement also included the payment of contingent consideration to the seller on an annual basis, also based upon the fiscal performance of GUS. However, these payments are forfeited should the seller be terminated for cause. Given this, the arrangement is considered separate from the purchase transaction and is therefore not reflected as part of the purchase price.

Goodwill associated with the purchase consists of the following as of December 31, 2023:

Goodwill	\$ 120,000
Less: accumulated amortization	<u>(2,000)</u>
Total	<u>\$ 118,000</u>

Goodwill amortization expense for the year ended December 31, 2023, was \$2,000.

8. Line of Credit

During the year, USMS had a \$500,000 revolving line of credit with a commercial bank that matured on November 3, 2023. A variable interest rate equal to the Wall Street Journal prime rate plus 1.0% was charged on all outstanding borrowings.

The line of credit was renewed on March 4, 2024 with a variable interest rate equal to the Wall Street Journal prime rate plus 1.5%.

Both lines of credit were/are collateralized by the assets of USMS with borrowings due on demand.

9. Board Designated Net Assets

Board designated net assets are classified as net assets without donor restrictions based on the absence of donor-imposed restrictions. The Board established two funds: the General Reserve and the Opportunity Reserve.

The General Reserve provides funds to ensure the stability of the mission, programs, staffing and ongoing operations of the organization. It is a flexible dollar amount sufficient to maintain ongoing operations and programs for a set period of time. As of December 31, 2023, the General Reserve was \$2,366,546.

The Opportunity Reserve provides funds to meet special targets of opportunity or needs that further the mission of the organization. It is also intended as a source of internal funds for organizational capacity such as staff development, research and development, or investment in infrastructure that will build long-term capacity. As of December 31, 2023, the Opportunity Reserve was \$600,000, which is the initial amount established by the Board.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

10. Endowment Fund

The endowment consists of funds established for the purpose of providing support to the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted FUPMIFA as requiring the corpus to be maintained at the fair value of the original gift as of the gift date and the original value of subsequent gifts where the donor indicated that a portion of the fund is retained in perpetuity. Any portion of the endowment, including investment income, which is not classified as net assets with donor restrictions-perpetual in nature, is to be classified as net assets with donor restrictions-purpose restricted until it is appropriated for expenditure.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level classified as net assets with donor restrictions that are perpetual in nature. These deficiencies result from unfavorable market fluctuations. There were no deficiencies of this nature reported in net assets without donor restrictions as of December 31, 2023.

Endowment Net Asset Composition

As of December 31, 2023, endowment net assets consisted of the following:

	With Donor Restrictions
Donor-restricted endowment balance	\$ 346,137
Unappropriated income with purpose restrictions	70,262
Total endowment funds	<u>\$ 416,399</u>

Change in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2023, are as follows:

	With Donor Restrictions
Endowment Fund	
Beginning balance at December 31, 2022	\$ 396,940
Investment return, net of fees	42,549
Appropriations for expenditure	(23,090)
Ending balance at December 31, 2023	<u>\$ 416,399</u>

Return Objectives and Risk Parameters

The Endowment Fund's assets are pooled with the investments of the CICF as described above in Note 4 and are invested in accordance with the CICF's investment policy. The CICF has adopted an investment policy for pooled investments that attempts to provide a predictable stream of funding to programs; invest in a manner that is intended to produce results that exceed each investment strategy's respective index; achieve an annualized total return (net of fees and expenses); and manage the assets in a manner that will meet the primary investment objective. Actual returns in any given year may vary.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

10. Endowment Fund (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, USMS relies on a total return strategy of the CICF in which investment returns are achieved through both market appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

USMS has a policy to annually appropriate distributions of the maximum amount allowed by the CICF, currently 5% of the fair value of the fund at year-end preceding the calendar year in which the distribution is planned.

11. Net Assets Released from Donor Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors are as follows:

Swimming Saves Lives	\$ -
Endowment Fund	23,090
Net Assets Released from Donor Restrictions	<u>\$ 23,090</u>

12. Retirement Plan

USMS provides a 401(k) plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. USMS matches employee contributions up to 4% of gross wages. Employer contributions to the retirement plan totaled \$58,058 for the year ended December 31, 2023.

13. Related Party Transactions

Due to LMSCs

USMS and the LMSCs collect money on each other's behalf from their members and the net amount is either received from or paid to USMS at the end of each month. The amount due to LMSCs as of December 31, 2023, was \$300,673.

14. Fair Value of Financial Assets

USMS follows guidance with respect to accounting and reporting for the fair value of its financial assets and liabilities. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

This guidance also establishes a hierarchy of valuation inputs that are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

14. Fair Value of Financial Assets (Continued)

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect USMS's assumptions based on the best information available in the circumstance.

While USMS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following methods and assumptions were used by USMS in estimating the fair value of its financial instruments on a recurring basis:

Mutual Funds and ETFs - The fair value is the market value based on quoted market prices. All mutual funds and ETFs are considered Level 1.

Beneficial Interest in Assets Held by the CICF - The fair value of beneficial interest in the assets of the CICF are derived from the fair value of the CICF's investments as of December 31, 2023. The fair value hierarchy as of December 31, 2023, is allocated based on the percentage of the investments in the respective levels reported on the December 31, 2022, audited financial statements of the CICF. These include certain investments that are measured at fair value using the Net Asset Value ("NAV") as a practical expedient. The fair value amounts included below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position. The beneficial interest cannot be redeemed from the CICF.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at Reporting Date Using:

Description	Level 1	Level 2	Level 3	NAV	Total
Available For Sale Securities:					
Equity Mutual Funds	\$ 2,017,464	\$ -	\$ -	\$ -	\$ 2,017,464
Fixed Income Mutual Funds	984,048	-	-	-	984,048
United States Treasury Bills	-	332,297	-	-	332,297
Equity ETFs	284,069	-	-	-	284,069
Fixed Income ETFs	144,627	-	-	-	144,627
Alternative ETFs	20,885	-	-	-	20,885
Total Available for Sale Securities	3,451,093	332,297	-	-	3,783,390
Beneficial Interest in Assets Held by Endowment Fund	158,232	-	-	258,167	416,399
Total Assets at Fair Value	\$ 3,609,325	\$ 332,297	\$ -	\$ 258,167	\$ 4,199,789

United States Masters Swimming, Inc.

Notes to Financial Statements (Continued)

December 31, 2023

15. Commitments and Contingencies

Legal Matters

USMS is subject to claims and legal proceedings covering a range of matters that arise in the ordinary course of its activities. Management and their legal counsel believe that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of USMS.

16. Subsequent Events

USMS has evaluated all events subsequent to the Statement of Financial Position date as of December 31, 2023, through the date these financial statements were issued, July 15, 2024, and have determined that, except as set forth below, there are no subsequent events that require disclosure under FASB Accounting Standards Codification.

On March 4, 2024, USMS opened a \$500,000 line of credit. See Note 8.