

USA WATER SKI, INC.

**Financial Statements
& Supplemental Schedules**

For the Year Ended December 31, 2009

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of Program Services	12
Schedule of Supporting Services	13

INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Water Ski, Inc.
Polk City, Florida

We have audited the accompanying statement of financial position of USA Water Ski, Inc., (a nonprofit corporation) as of December 31, 2009 and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Corporation's December 31, 2008 financial statements and, in our report dated March 20, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Water Ski, Inc. as of December 31, 2009, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended December 31, 2009 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP

February 26, 2010

USA WATER SKI, INC.
Statement of Financial Position
December 31, 2009
(With Comparative Amounts for 2008)

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 624,158	\$ 723,128
Short-term investments	213,948	216,547
Accounts receivable, net	78,712	40,509
Prepaid expenses	37,959	37,688
Inventory	7,510	5,104
Other assets	<u>3,200</u>	<u>3,200</u>
Total current assets	965,487	1,026,176
PROPERTY AND EQUIPMENT, at cost:		
Computers and software	98,479	96,899
Furniture and equipment	151,070	151,070
Leasehold improvements	<u>33,835</u>	<u>26,451</u>
	283,384	274,420
Less accumulated depreciation	<u>(237,009)</u>	<u>(214,167)</u>
Property and equipment - net	<u>46,375</u>	<u>60,253</u>
TOTAL ASSETS	<u>\$ 1,011,862</u>	<u>\$ 1,086,429</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 24,868	\$ 67,428
Accrued liabilities	30,774	32,389
Deferred revenue (Note D)	<u>335,039</u>	<u>353,446</u>
Total current liabilities	390,681	453,263
NET ASSETS:		
Unrestricted	220,784	213,890
Unrestricted - Board designated (Note G)	338,751	335,008
Temporarily restricted (Note H)	<u>61,646</u>	<u>84,268</u>
Total net assets	<u>621,181</u>	<u>633,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,011,862</u>	<u>\$ 1,086,429</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2009
(With Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Totals</u>	<u>2008 Totals</u>
SUPPORT AND REVENUE:				
Membership registrations	\$ 971,410	\$	\$ 971,410	\$ 806,310
Marketing and partnership	187,693		187,693	379,085
Publication income	186,572		186,572	227,132
National tournaments	118,225		118,225	129,912
Regional income	97,616		97,616	151,891
Event sanctioning income	93,554		93,554	95,815
Sport discipline income	3,960	62,289	66,249	105,946
Teams fund	41,594	595	42,189	65,764
Sport development	41,103		41,103	33,966
Approved towboat testing	34,500		34,500	78,500
Value in kind	31,000		31,000	68,083
Interest income	9,435		9,435	11,647
Other income	8,619		8,619	8,902
Team trials income	8,320		8,320	3,370
Satisfaction of program restrictions	<u>85,506</u>	<u>(85,506)</u>		
Total support and revenue	1,919,107	(22,622)	1,896,485	2,166,323
EXPENSES:				
Program services:				
Membership	549,742		549,742	690,153
Publication expense	355,694		355,694	388,030
Sport discipline expense	160,625		160,625	135,447
National tournaments	156,272		156,272	189,662
Sport development	145,706		145,706	175,988
Regional expense	108,163		108,163	80,562
National teams	49,875		49,875	80,151
Competition	46,068		46,068	49,373
Towboat program	15,213		15,213	26,894
Lake property				<u>1,288</u>
Total program services	1,587,358		1,587,358	1,817,548
Supporting services:				
General and administrative expense	168,924		168,924	183,252
Sponsorship development	<u>152,188</u>		<u>152,188</u>	<u>159,512</u>
Total supporting services	<u>321,112</u>		<u>321,112</u>	<u>342,764</u>
Total expenses	<u>1,908,470</u>		<u>1,908,470</u>	<u>2,160,312</u>
CHANGE IN NET ASSETS	10,637	(22,622)	(11,985)	6,011
NET ASSETS, beginning of year	548,898	84,268	633,166	602,002
ADJUSTMENT TO INCLUDE BEGINNING NET ASSETS FOR ONE REGION (NOTE I)				<u>25,153</u>
NET ASSETS, end of year	<u>\$ 559,535</u>	<u>\$ 61,646</u>	<u>\$ 621,181</u>	<u>\$ 633,166</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Statement of Cash Flows
For the Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,985)	\$ 6,011
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	22,842	23,693
Changes in assets and liabilities:		
Changes in accounts receivable	(38,203)	15,254
Changes in prepaid expenses	(271)	(8,436)
Changes in inventory	(2,406)	(5,104)
Changes in other assets		25,000
Changes in accounts payable	(42,560)	26,990
Changes in accrued liabilities	(1,615)	(2,259)
Changes in deferred revenue	<u>(18,407)</u>	<u>203,584</u>
Total adjustments	<u>(80,620)</u>	<u>278,722</u>
Net cash provided (used) by operating activities	(92,605)	284,733
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(8,964)	(2,818)
Change in investments, net	<u>2,599</u>	<u>44,161</u>
Net cash provided (used) by investing activities	<u>(6,365)</u>	<u>41,343</u>
NET INCREASE (DECREASE) IN CASH	(98,970)	326,076
CASH AND CASH EQUIVALENTS, beginning of year	723,128	371,899
ADJUSTMENT TO INCLUDE BEGINNING CASH FOR ONE REGION (NOTE I)		<u>25,153</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 624,158</u>	<u>\$ 723,128</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Notes to Financial Statements
For the Year Ended December 31, 2009

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Water Ski, Inc. (the Corporation) is the national governing body of organized water skiing in the United States. USA Water Ski, Inc. is a member of the International Water Ski Federation, the Pan American Sports Organization and the United States Olympic Committee. Affiliated with USA Water Ski, Inc. as sport disciplines are the American Water Ski Association, American Barefoot Club, American Kneeboard Association, National Collegiate Water Ski Association, National Show Ski Association, National Water Ski Racing Association, United States Hydrofoil Association, USA Wakeboard and Water Skiers with Disabilities Association.

Income Taxes

The Corporation is an organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an Interpretation of FASB Statement No. 109 (FIN 48), that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Corporation's income tax returns. The revised effective date for FIN 48 is years beginning after December 15, 2008; accordingly, the Corporation adopted the standard effective January 1, 2009.

The Corporation's income tax filings are subject to audit by various taxing authorities. The Corporation's open audit periods are 2005 - 2008. The Corporation believes that its operations have been conducted in accordance with its tax-exempt status.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking and savings accounts.

The Corporation maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure, the Corporation could suffer a loss to the extent its deposits exceeded the respective bank insurance limits.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount the Corporation expects to collect from balances outstanding at year end. Based on the Corporation's experience with businesses having outstanding balances, it has concluded that any losses on balances outstanding at year end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

Accounts receivable outstanding for more than 30 days are considered delinquent. Delinquent receivables are determined to be uncollectible on a case by case basis and are written off to bad debt expense at such point of determination.

Property and Equipment

Property and equipment consists of leasehold improvements, furniture, and office equipment used in the operations of the Corporation. Property and equipment are recorded at cost or, in the case of donated items, at the estimated fair market value at the date of the donation.

Depreciation is recorded using the straight-line method over an estimated life of three to ten years for furniture and equipment and seven to fifteen years for leasehold improvements. Depreciation expense for the years ended December 31, 2009 and 2008 was \$22,842 and \$23,693, respectively.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions.

Contributed Services

The Corporation receives a substantial amount of donated services in carrying out its programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary and related expenses. For the years ended December 31, 2009 and 2008, the Corporation's supporting service expenses amounted to 16.93% and 15.82%, respectively, of total support and revenue.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 26, 2010, the date that the financial statements were available to be issued.

B. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2009 and 2008 consist of certificates of deposit. The Corporation intends to hold these certificates until maturity.

C. AMERICAN WATER SKI EDUCATIONAL FOUNDATION

The American Water Ski Education Foundation (the Foundation) is a separate exempt entity to establish, administer and promote an educational program devoted to the development and training of water skiers as a means of healthful recreation and physical fitness and to stimulate an interest in water skiing competition.

The Corporation leases office space from the Foundation in accordance with an operating lease effective through November, 2019 at an annual rate of \$10. For the years ended December 31, 2009 and 2008, the Corporation recognized \$31,000 in value-in-kind for the leased office space. The Corporation is also responsible for covering the cost of utilities, property tax, and repairs and maintenance. Total expenses incurred for the year ended December 31, 2009 and 2008 amounted to \$73,415 and \$64,389, respectively.

Notes to Financial Statements

C. AMERICAN WATER SKI EDUCATIONAL FOUNDATION - Continued

At December 31, 2009 and 2008, the Foundation owed the Corporation \$5,225 and \$10,000, respectively for reimbursement of lake expenses.

The Corporation is not controlled by the Foundation and therefore consolidated financial statements are not prepared.

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Memberships	\$ 323,074	\$ 335,063
Additional insurance	6,250	
Gold memberships	3,000	4,000
Team clothing	2,015	5,870
Sanction fees	700	3,200
Waterways income		3,898
Deferred revenue - other		1,315
Dockside ads		<u>100</u>
	<u>\$ 335,039</u>	<u>\$ 353,446</u>

E. LEASES

During 2007, the Corporation executed a sixty-three month operating lease for postage equipment that expires March 2013. The lease requires monthly payments of \$2,139.

The Corporation also leases two copiers and a fax machine. The operating lease is effective through October 2011 at a monthly rate of \$1,742.

As explained in Note C, the Corporation leases office space from the American Water Ski Educational Foundation. The operating lease is effective through November 2019 and requires annual payments of \$10.

Minimum future payments on these leases for each of the years ended December 31 are as follows:

2010	\$ 46,580
2011	43,097
2012	25,677
2013	6,427
2014-2019	60

Notes to Financial Statements

F. RETIREMENT PLAN

During the year ended December 31, 2009, the Corporation established a 401(k) profit sharing plan for its employees. Employees are eligible to participate if they are over the age of twenty-one with at least one year of service. Each year, the Corporation may elect to make a discretionary matching contribution. The contribution will be allocated to participants based on a uniform percentage of employee salary deferrals, as defined by the plan. Total pension expense for the year ended December 31, 2009 amounted to \$14,941.

In prior years, the Corporation maintained a defined contribution plan for its employees. The old plan was rolled into the new 401(k) plan during the year ended December 31, 2009. Total pension expense for the year ended December 31, 2008 amounted to \$18,100.

G. UNRESTRICTED NET ASSETS - BOARD DESIGNATED

At December 31, 2009 and 2008, Board designated net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Western region	\$ 70,283	\$ 81,274
Southern region	55,911	57,343
Eastern region	47,629	44,325
American Barefoot Club	38,603	38,004
Wakeboard	36,477	37,763
Midwest region	36,252	35,583
South Central region	20,226	22,323
Water Skiers with Disabilities Association	18,710	8,828
American Water Ski Association	9,295	7,927
American Kneeboard Association	5,365	1,638
	<u>\$ 338,751</u>	<u>\$ 335,008</u>

Notes to Financial Statements

H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
American Water Ski Association	\$ 30,376	\$ 34,598
Affinity program	22,500	30,000
Water Skiers with Disabilities Association	<u>8,770</u>	<u>19,670</u>
	<u>\$ 61,646</u>	<u>\$ 84,268</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2009 and 2008, respectively, temporarily restricted net assets were released from restrictions for the following programs:

	<u>2009</u>	<u>2008</u>
American Water Ski Association	\$ 62,647	\$ 58,222
Water Skiers with Disabilities Association	15,239	
Affinity program	7,500	
American Barefoot Club	<u>120</u>	<u> </u>
	<u>\$ 85,506</u>	<u>\$ 58,222</u>

I. SPORT DISCIPLINES AND REGIONS

The Corporation has five separate regions and nine separate sport disciplines that assist in administering tournaments across the United States of America. USA Water Ski, Inc. granted funding to these regions and disciplines in the amount of \$93,546 and \$93,277 during the years ended December 31, 2009 and 2008, respectively.

All five regions and five of the nine sport disciplines financials are reported on a consolidated basis with USA Water Ski, Inc. At December 31, 2007, complete information was unavailable for one of the sport disciplines. This information became available during the year ended December 31, 2008, and an adjustment of \$25,153 was made to increase beginning net assets and cash to consolidate the one remaining sport discipline.

Notes to the Financial Statements

J. ACTIVE MEMBER LIABILITY INSURANCE

The Corporation self-insured for a portion of its liability coverage for active members during prior years. The Corporation had contracted with a third-party administrator to process the claims. Under the contract, the Corporation was self-insured for the first \$50,000 per occurrence and a cumulative amount of \$100,000 on an annual basis.

During the year ended December 31, 2009, two claims were processed for a total of \$88,557. These claims have been recorded in membership insurance expense for the year ended December 31, 2008. Amounts outstanding on these claims amounted to \$13,727 and \$63,557 at December 31, 2009 and 2008, respectively.

The Corporation is no longer self-insured.

USA WATER SKI, INC.
Schedule of Program Services
For the Year Ended December 31, 2009

	Membership	Publication	Sport Discipline	National Tournaments	Sport Development	Regional	National Teams	Competition	Towboat Program	Total
Labor allocation	\$ 126,041	\$ 135,267	\$	\$ 33,612	\$ 78,279	\$	\$ 14,847	\$ 30,957	\$ 9,982	\$ 428,985
Insurance	306,650									306,650
Overhead allocation	56,014	60,113		14,836	34,787		6,599	13,757	4,436	190,542
Magazine production		103,809								103,809
Sport discipline expense			160,625		2					160,627
AWSA admin fees				7,310						7,310
Regional expense		53,208				108,163				161,371
TV production				2,169						2,169
Entry fees				69,863						69,863
Postage	11,761									11,761
Materials	26,291									26,291
Travel	846	2,632		268	1,166				384	5,296
Officials room/housing				2,300			7,900			10,200
Team tees/caps/sweats							20,529			20,529
Event sanctioning								388		388
Membership renewal expense	14,328									14,328
Officials clinics					6,026					6,026
Awards				7,068						7,068
Grassroots programs					14,227					14,227
Member development	7,797									7,797
Junior U.S. Open expense				6,245						6,245
Exhibits				8,083						8,083
Website development		588								588
Officials shirts				2,893						2,893
Waterways					650					650
Site set-up				620						620
Room & board									382	382
Competition expense								893		893
Rulebooks								73		73
Banquet expense				812						812
Promotion & marketing					10,192					10,192
Ski school & camps expense	14									14
Miscellaneous expense				193					19	212
Publication expense		77								77
Instructor certification					377					377
Technical equipment									10	10
Totals	\$ 549,742	\$ 355,694	\$ 160,625	\$ 156,272	\$ 145,706	\$ 108,163	\$ 49,875	\$ 46,068	\$ 15,213	\$ 1,587,358

USA WATER SKI, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2009

	General & Administrative	Sponsorship Development	Total
Salaries	\$ 539,043	\$	\$ 539,043
Postage	28,591	24,852	53,443
Payroll taxes	40,451		40,451
Employee benefits	33,903		33,903
Rent	31,000		31,000
Credit card fees	27,652		27,652
Utilities	27,557		27,557
Insurance	27,032		27,032
Computer supplies & service	26,417		26,417
Depreciation	22,842		22,842
Printing & duplication	22,750		22,750
Telephone & fax	18,338		18,338
Retirement plan	14,941		14,941
Professional fees	9,825		9,825
Equipment repair & maintenance	7,677		7,677
Bad debts	6,975		6,975
Taxes & licenses	6,198		6,198
Dues & subscription	4,300		4,300
Building repair & maintenance	3,918		3,918
Miscellaneous expenses	3,382		3,382
Office supplies	3,379		3,379
Board of directors meetings	3,294		3,294
Travel	971	1,570	2,541
Fulfillment costs		1,656	1,656
Bank charges	1,192		1,192
Shipping	634		634
Committee meetings	256		256
Promotion	43		43
Overhead allocation	(228,728)	38,186	(190,542)
Labor allocation	(514,909)	85,924	(428,985)
	<u>\$ 168,924</u>	<u>\$ 152,188</u>	<u>\$ 321,112</u>