

USA WATER SKI, INC.
Financial Statements
& Supplemental Schedules
For the Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of USA Water Ski, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the USA Water Ski, Inc.'s 2013 financial statements, and our report dated March 12, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of program services and of supporting services are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Colorado Springs, Colorado
April 8, 2015

USA WATER SKI, INC.
Statement of Financial Position
December 31, 2014
(With Comparative Amounts for 2013)

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 555,617	\$ 514,191
Short-term investments	393,583	390,129
Accounts receivable	34,772	57,753
Pledges receivable		1,000
Prepaid expenses	27,207	78,351
Inventory	14,552	17,273
Other assets	<u>3,200</u>	<u>4,710</u>
Total current assets	1,028,931	1,063,407
PROPERTY AND EQUIPMENT, at cost:		
Computers and software	67,410	65,058
Furniture and equipment	185,887	183,687
Leasehold improvements	<u>43,390</u>	<u>43,390</u>
	296,687	292,135
Less accumulated depreciation	<u>(260,643)</u>	<u>(250,376)</u>
Property and equipment - net	<u>36,044</u>	<u>41,759</u>
TOTAL ASSETS	<u>\$ 1,064,975</u>	<u>\$ 1,105,166</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 23,398	\$ 45,445
Accrued liabilities	36,771	35,133
Current portion of deferred revenue	<u>413,394</u>	<u>418,920</u>
Total current liabilities	473,563	499,498
DEFERRED REVENUE	<u>24,735</u>	<u>28,293</u>
Total liabilities	498,298	527,791
NET ASSETS:		
Unrestricted	90,979	146,948
Unrestricted - Board designated	436,748	395,769
Temporarily restricted	<u>38,950</u>	<u>34,658</u>
Total net assets	<u>566,677</u>	<u>577,375</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,064,975</u>	<u>\$ 1,105,166</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	2014 Totals	2013 Totals
SUPPORT AND REVENUE:				
Membership registrations	\$ 904,039	\$	\$ 904,039	\$ 928,375
National tournaments	193,853		193,853	141,051
Publication income	164,523		164,523	144,348
Regional income	131,338		131,338	113,115
Marketing and partnership	127,929		127,929	145,125
Event sanctioning income	105,799		105,799	92,947
Sport discipline income	52,859	29,291	82,150	101,660
Teams fund	55,038		55,038	43,876
Sport development	49,745		49,745	56,310
Approved towboat testing	49,000		49,000	43,000
Value in kind	31,000		31,000	31,000
Interest income	14,264		14,264	23,370
Other income	13,091		13,091	14,016
USOC grant	4,500		4,500	
Team trials income	4,250		4,250	400
Satisfaction of program restrictions	24,999	(24,999)		
Total support and revenue	<u>1,926,227</u>	<u>4,292</u>	<u>1,930,519</u>	<u>1,878,593</u>
EXPENSES:				
Program services:				
Membership	537,118		537,118	547,213
Publication expense	338,801		338,801	346,499
National tournaments	242,913		242,913	182,676
Sport discipline expense	168,322		168,322	193,823
Sport development	132,738		132,738	140,787
Regional expense	104,295		104,295	99,865
National teams	51,010		51,010	36,811
Competitions	43,458		43,458	43,980
Towboat program	14,993		14,993	18,111
Total program services	<u>1,633,648</u>		<u>1,633,648</u>	<u>1,609,765</u>
Supporting services:				
General and administrative expense	176,794		176,794	169,532
Sponsorship development	130,773		130,773	129,997
Total supporting services	<u>307,567</u>		<u>307,567</u>	<u>299,529</u>
Total expenses	<u>1,941,215</u>		<u>1,941,215</u>	<u>1,909,294</u>
CHANGE IN NET ASSETS	(14,988)	4,292	(10,696)	(30,701)
NET ASSETS, beginning of year	<u>542,717</u>	<u>34,658</u>	<u>577,375</u>	<u>608,076</u>
NET ASSETS, end of year	<u>\$ 527,729</u>	<u>\$ 38,950</u>	<u>\$ 566,679</u>	<u>\$ 577,375</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Amounts for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (10,696)	\$ (30,701)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	10,267	10,078
Loss on disposal of equipment		429
Changes in assets and liabilities:		
Changes in accounts receivable	23,981	(28,735)
Changes in prepaid expenses	51,144	(37,870)
Changes in inventory	2,721	(2,981)
Changes in other assets	1,510	(160)
Changes in accounts payable	(22,047)	31,061
Changes in accrued liabilities	1,638	1,877
Changes in deferred revenue	(9,084)	32,560
Total adjustments	<u>60,130</u>	<u>6,259</u>
Net cash provided (used) by operating activities	49,434	(24,442)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(4,554)	(6,979)
Change in investments, net	<u>(3,454)</u>	<u>(23,634)</u>
Net cash used by investing activities	<u>(8,008)</u>	<u>(30,613)</u>
NET INCREASE (DECREASE) IN CASH	41,426	(55,055)
CASH AND CASH EQUIVALENTS, beginning of year	<u>514,191</u>	<u>569,246</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 555,617</u>	<u>\$ 514,191</u>

See Notes to Financial Statements

USA WATER SKI, INC.
Notes to Financial Statements
For the Year Ended December 31, 2014

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 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax.

The Corporation's form 990, Return of Organization Exempt from Income Tax is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

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 exceed the respective bank insurance limits.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable - continued

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, 2014 and 2013, was \$10,267 and \$10,078, 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 ASC 958, "Not-For-Profit Entities".

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, 2014 and 2013, the Corporation's supporting service expenses amounted to 15.93% and 15.94%, respectively, of total support and revenue.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Prior-Year Comparisons

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year financial statement format.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 8, 2015, the date that the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Corporation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2014 and 2013:

Assets at Fair Value as of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 372,473	\$	\$	\$ 372,473
Certificates of deposit	<u>21,110</u>	<u></u>	<u></u>	<u>21,110</u>
	<u>\$ 393,583</u>	<u>\$</u>	<u>\$</u>	<u>\$ 393,583</u>

Assets at Fair Value as of December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 357,801	\$	\$	\$ 357,801
Certificates of deposit	<u>32,328</u>	<u></u>	<u></u>	<u>32,328</u>
	<u>\$ 390,129</u>	<u>\$</u>	<u>\$</u>	<u>\$ 390,129</u>

C. USA WATER SKI FOUNDATION

The USA Water Ski 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, 2014 and 2013, the Corporation recognized \$31,000 of value-in-kind revenue and expense 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 years ended December 31, 2014 and 2013 amounted to \$75,213 and \$74,035, respectively. At December 31, 2014 and 2013, the Foundation owed the Corporation \$2,624 and \$585, respectively, for reimbursement of lake expenses.

Notes to Financial Statements

C. USA WATER SKI FOUNDATION - Continued

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

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Memberships	\$ 372,213	\$ 388,613
Sanction fees	56,935	35,305
Club additional insurance	6,172	2,650
Banquet awards	1,088	
Banquet tickets, magazine ads, miscellaneous	1,721	4,710
Sponsorship		10,000
Contribution		5,000
Coaches liability		510
Clinic fees		410
Rush fees		15
	<u>\$ 438,129</u>	<u>\$ 447,213</u>

E. LEASES

The Corporation has an operating lease for postage equipment that expires in April 2016. This lease requires quarterly payments of \$6,417. The Corporation also leases two copiers and a fax machine at a monthly rate of \$1,574 through November 2015.

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:

2015	\$ 42,982
2016	6,427
2017	10
2018	10
2019	10

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 years ended December 31, 2014 and 2013 amounted to \$9,767 and \$15,092, respectively.

G. UNRESTRICTED NET ASSETS - BOARD DESIGNATED

At December 31, 2014 and 2013, Board designated net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Western region	\$ 91,275	\$ 82,660
Southern region	70,393	68,886
American Water Ski Association	68,857	25,326
Midwest region	64,627	58,652
Eastern region	51,280	52,975
South Central region	29,223	16,582
American Barefoot Club	23,780	35,354
Water Skiers with Disabilities Association	17,002	23,667
Wakeboard	10,371	20,080
American Kneeboard Association	<u>9,940</u>	<u>11,587</u>
	<u>\$ 436,748</u>	<u>\$ 395,769</u>

H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013, are available for the following purposes:

	<u>2014</u>	<u>2013</u>
American Water Ski Association	<u>\$ 38,950</u>	<u>\$ 34,658</u>
	<u>\$ 38,950</u>	<u>\$ 34,658</u>

Notes to Financial Statements

H. TEMPORARILY RESTRICTED NET ASSETS - continued

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2014 and 2013, respectively, temporarily restricted net assets were released from restrictions for the following programs:

	<u>2014</u>	<u>2013</u>
American Water Ski Association	\$ <u>24,999</u>	\$ <u>59,582</u>
	<u>\$ 24,999</u>	<u>\$ 59,582</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 \$82,824 and \$88,939 during the years ended December 31, 2014 and 2013, respectively.

USA WATER SKI, INC.
Schedule of Program Services
For the Year Ended December 31, 2014

	Membership	Publication	National Tournaments	Sport Discipline	Sport Development	Regional	National Teams	Competitions	Towboat Program	Total
Labor allocation	\$ 110,454	\$ 121,755	\$ 30,254	\$	\$ 70,460	\$	\$ 13,362	\$ 27,865	\$ 8,984	\$ 383,134
Insurance	360,807				2,550					363,357
Overhead allocation	60,483	64,910	16,128		37,564		7,126	14,855	4,791	205,857
Sport discipline expense				168,322						168,322
Regional expense		55,478				104,295				159,773
Entry fees			69,642							69,642
Magazine production		68,258								68,258
U.S Open expense			67,388							67,388
Postage	1,505	22,421								23,926
Team tees/caps/sweats							22,533			22,533
AWSA admin fees			13,041							13,041
Junior U.S. Open expense			10,820							10,820
Exhibits			10,637							10,637
Travel	311	5,979	1,630		1,431			323	730	10,404
Motor vehicle report expense					10,088					10,088
TV production			7,813							7,813
Officials room/housing			2,600				4,080			6,680
Awards			6,166							6,166
Officials shirts			5,515							5,515
Grassroots programs					4,403					4,403
Instructor certification					3,891					3,891
Merchandise shipping expense							3,470			3,470
Club development expense					2,219					2,219
Materials	1,508									1,508
Ski school & camps expense	1,379									1,379
Membership renewal expense	671									671
Banquet expense			574							574
Merchandise promotion travel							439			439
VIP Reception expense			400							400
Room & board									283	283
Competition expense								278		278
Honorarium									200	200
Miscellaneous expense			187						5	192
Rulebooks								137		137
Officials clinics					132					132
Site set-up			118							118
Totals	\$ 537,118	\$ 338,801	\$ 242,913	\$ 168,322	\$ 132,738	\$ 104,295	\$ 51,010	\$ 43,458	\$ 14,993	\$ 1,633,648

USA WATER SKI, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2014

	General & Administrative	Sponsorship Development	Total
Salaries	\$ 468,968	\$	\$ 468,968
Computer supplies & service	58,000		58,000
Employee benefits	51,308		51,308
Insurance	36,672		36,672
Payroll taxes	35,292		35,292
Rent	31,000		31,000
Utilities	30,692		30,692
Postage	28,867		28,867
Credit card fees	26,298		26,298
Printing & duplication	19,252		19,252
Telephone & fax	15,665		15,665
Professional fees	12,681		12,681
Depreciation	10,267		10,267
Retirement plan	9,767		9,767
Travel	5,434	2,280	7,714
Equipment repair & maintenance	7,116		7,116
Building repair & maintenance	6,121		6,121
Solicitation costs		6,005	6,005
Promotion	5,756		5,756
Taxes & licenses	5,065		5,065
Bad debts	4,432		4,432
Dues & subscriptions	4,120		4,120
Fulfillment costs		3,915	3,915
Miscellaneous expense	2,962		2,962
Awards banquet	2,526		2,526
Office supplies	1,945		1,945
Bank charges	1,398		1,398
Shipping	1,233		1,233
75th anniversary	1,076		1,076
Board of directors meetings	273		273
Committee meetings	172		172
Overhead allocation	(247,089)	41,232	(205,857)
Labor allocation	(460,475)	77,341	(383,134)
	<u>\$ 176,794</u>	<u>\$ 130,773</u>	<u>\$ 307,567</u>