

**UNITED STATES OF AMERICA WRESTLING
ASSOCIATION**

d/b/a USA Wrestling

Financial Statements

For the Year Ended August 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United States of America Wrestling Association
d/b/a USA Wrestling
Colorado Springs, Colorado

We have audited the accompanying financial statements of United States of America Wrestling Association, d/b/a USA Wrestling (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditor's 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 United States of America Wrestling Association, d/b/a USA Wrestling, as of August 31, 2019, 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 United States of America Wrestling Association, d/b/a USA Wrestling's August 31, 2018, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note A to the financial statements, during the year ended August 31, 2019, United States of America Wrestling Association, d/b/a USA Wrestling adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
November 25, 2019

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING

Statement of Financial Position

August 31, 2019

(With Comparative Amounts for 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,662,111	\$ 3,670,655
Short-term investments	5,778,607	5,703,178
Accounts receivable, net	146,335	189,090
Current portion of pledges receivable	1,285,000	1,430,000
Inventory	184,753	135,474
Prepaid expenses	<u>534,116</u>	<u>137,997</u>
Total current assets	11,590,922	11,266,394
LONG-TERM PLEDGES RECEIVABLE, net	271,345	1,627,526
PROPERTY AND EQUIPMENT:		
Furniture and equipment	450,933	494,458
Building and improvements	543,721	540,553
Wrestling room improvements	222,611	222,611
Land	71,416	71,416
Less accumulated depreciation	<u>(797,648)</u>	<u>(773,636)</u>
Property and equipment, net	<u>491,033</u>	<u>555,402</u>
TOTAL ASSETS	<u>\$ 12,353,300</u>	<u>\$ 13,449,322</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,256,128	\$ 1,258,118
Due to the USOPC	118,001	21,133
Deferred revenue	<u>1,135,663</u>	<u>643,167</u>
TOTAL LIABILITIES	2,509,792	1,922,418
NET ASSETS:		
Without donor restrictions	794,412	728,673
Without donor restrictions - Board designated	1,667,459	1,640,308
With donor restrictions	<u>7,381,637</u>	<u>9,157,923</u>
Total net assets	<u>9,843,508</u>	<u>11,526,904</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,353,300</u>	<u>\$ 13,449,322</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
SUPPORT AND REVENUE:				
Membership	\$ 6,635,931	\$	\$ 6,635,931	\$ 5,973,196
Events and educational programs	2,155,485		2,155,485	2,238,494
USOPC grants	1,375,716		1,375,716	1,727,036
Corporate sponsorship	1,279,718		1,279,718	1,028,738
Tour and program revenue	871,045		871,045	1,030,128
Grants and contributions	309,655	385,586	695,241	2,498,154
Royalties	406,605		406,605	403,828
USOPC digital media	300,000		300,000	300,000
Newspaper and internet income	125,591		125,591	95,761
Investment income, net	40,102	43,786	83,888	443,029
Other	5,645		5,645	34,776
Loss on disposal of equipment	(599)		(599)	
Satisfied program restrictions	2,205,658	(2,205,658)		
Total support and revenue	15,710,552	(1,776,286)	13,934,266	15,773,140
EXPENSES:				
Program services:				
National Team	6,567,021		6,567,021	6,060,223
Membership	4,546,393		4,546,393	4,021,184
Events and educational programs	3,077,744		3,077,744	2,682,209
Promotions and sport development	143,587		143,587	2,014
Total program services	14,334,745		14,334,745	12,765,630
Supporting services:				
Marketing and fundraising	764,815		764,815	541,427
General and administrative	518,102		518,102	525,207
Total supporting services	1,282,917		1,282,917	1,066,634
Total expenses	15,617,662		15,617,662	13,832,264
CHANGE IN NET ASSETS	92,890	(1,776,286)	(1,683,396)	1,940,876
NET ASSETS, beginning of year	2,368,981	9,157,923	11,526,904	9,586,028
NET ASSETS, end of year	\$ 2,461,871	\$ 7,381,637	\$ 9,843,508	\$ 11,526,904

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING

Statement of Functional Expenses
For the Year Ended August 31, 2019
(With Comparative Totals for 2018)

	National Team	Membership	Events and Educational Programs	Promotions & Sport Development	Total Programs
Accident insurance	\$	\$ 946,131	\$	\$	\$ 946,131
Advertising					
Apparel	35,668		51,831		87,499
Athlete assistance	1,341,423				1,341,423
Bad debt expense	6,962	5,324	2,252		14,538
Bank charges & fees	6,239	240,024	14,737		261,000
Communications	18,702	14,674	10,446		43,822
Depreciation	38,414	12,353	12,354		63,121
Dues & subscriptions	1,085	33,635	351		35,071
Employee search & relocation	1,927				1,927
Event expenses	5,797	59	62,600	20,866	89,322
Gifts & awards	2,287	4,067	140,894		147,248
Hospitality & protocol	10,545	4,448	22,806		37,799
Insurance	31,401	30,985	10,231		72,617
Internet/bracketing		9,562	42,150		51,712
Legal & accounting fees	12,901	9,866	4,174		26,941
Liability insurance		823,023			823,023
Maintenance & repair	5,619	3,251	1,375		10,245
Medical expenses	26,361				26,361
Occupancy	17,566	11,881	5,026		34,473
Office activities	22,054	16,866	7,832		46,752
Other expenses	29,999	27,113	81,392	354	138,858
Other professional fees	1,700	2,650	550		4,900
Outside services & honoraria	267,256	113,251	270,745		651,252
Postage & shipping	10,725	237,891	25,835		274,451
Printing	2,844	33,377	4,059	576	40,856
Production costs		215,513			215,513
Professional development	1,870	1,430	605		3,905
Promotions & publicity	12,578	6,414	25,241	40,614	84,847
Recruiting	504				504
Salaries, benefits & payroll taxes	2,123,829	1,308,243	969,139		4,401,211
Site costs	7,818		278,474		286,292
Sponsor & employee relations					
State association expense		268,042			268,042
Supplies & equipment	226,353	12,855	37,202		276,410
Trainers	2,490		35,296		37,786
Travel & lodging	2,214,968	153,034	927,596	81,177	3,376,775
UWW & international relations			8,214		8,214
Visas & UWW licenses	79,136	431	24,337		103,904
	<u>\$ 6,567,021</u>	<u>\$ 4,546,393</u>	<u>\$ 3,077,744</u>	<u>\$ 143,587</u>	<u>\$ 14,334,745</u>

	<u>General & Administrative</u>				
	<u>Marketing & Fundraising</u>	<u>National Office</u>	<u>Board of Directors & Committees</u>	<u>2019 Total</u>	<u>2018 Total</u>
Accident insurance	\$	\$	\$	\$ 946,131	\$ 923,091
Advertising	2,962			2,962	2,445
Apparel				87,499	76,236
Athlete assistance				1,341,423	874,803
Bad debt expense	2,867	3,071		20,476	6,776
Bank charges & fees	4,506	2,753		268,259	235,203
Communications	7,635	8,313	1,465	61,235	68,002
Depreciation	6,652	7,127		76,900	61,406
Dues & subscriptions	447	479		35,997	42,124
Employee search & relocation				1,927	1,033
Event expenses				89,322	60,788
Gifts & awards	1,113		1,379	149,740	161,187
Hospitality & protocol	15,321	14,427	3,690	71,237	63,184
Insurance	2,991	2,996	5,793	84,397	71,593
Internet/bracketing				51,712	57,953
Legal & accounting fees	5,313	5,692		37,946	70,341
Liability insurance				823,023	681,661
Maintenance & repair	1,751	1,876		13,872	24,340
Medical expenses				26,361	4,451
Occupancy	6,397	25,842		66,712	67,776
Office activities	9,081	9,731		65,564	68,173
Other expenses	1,146	8,501	4,497	153,002	270,745
Other professional fees	700	4,837		10,437	9,463
Outside services & honoraria	3,995	1,423		656,670	559,888
Postage & shipping	7,314	4,571		286,336	262,076
Printing	2,623	1,059	425	44,963	42,529
Production costs				215,513	201,610
Professional development	770	825		5,500	276
Promotions & publicity	7,527	35,319		127,693	104,035
Recruiting				504	
Salaries, benefits & payroll taxes	542,770	262,976		5,206,957	4,673,940
Site costs	17,158			303,450	306,878
Sponsor & employee relations	38,790			38,790	85,378
State association expense				268,042	137,178
Supplies & equipment	9,462			285,872	224,175
Trainers				37,786	26,405
Travel & lodging	65,424	39,907	55,241	3,537,347	3,178,737
UWW & international relations		3,887		12,101	45,152
Visas & UWW licenses	100			104,004	81,233
	<u>\$ 764,815</u>	<u>\$ 445,612</u>	<u>\$ 72,490</u>	<u>\$ 15,617,662</u>	<u>\$ 13,832,264</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION
d/b/a USA WRESTLING

Statement of Cash Flows

For the Year Ended August 31, 2019

(With Comparative Amounts for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,683,396)	\$ 1,940,876
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	102,037	83,099
Loss on disposal of equipment	599	
Restricted investment income	(43,786)	(354,954)
Restricted contributions	(385,586)	(2,362,897)
Realized gain on investments	(229,376)	(35,640)
Unrealized (gain) loss on investments	249,757	(74,904)
Decrease (increase) in assets:		
Accounts receivable	42,755	(30,874)
Inventory	(49,279)	(64,366)
Prepaid expenses	(396,119)	(10,983)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(1,990)	(194,910)
Due to the USOPC	96,868	(291,485)
Deferred revenue	492,496	(713,897)
Total adjustments	<u>(121,624)</u>	<u>(4,051,811)</u>
Net cash used by operating activities	(1,805,020)	(2,110,935)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	535,172	1,037,141
Purchase of investments	(630,982)	(2,112,954)
Acquisition of property and equipment	<u>(38,267)</u>	<u>(193,609)</u>
Net cash used by investing activities	(134,077)	(1,269,422)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted investment income	43,786	354,954
Pledges receivable	1,501,181	(861,949)
Restricted contributions	<u>385,586</u>	<u>2,362,897</u>
Net cash provided by financing activities	<u>1,930,553</u>	<u>1,855,902</u>
NET DECREASE IN CASH	(8,544)	(1,524,455)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,670,655</u>	<u>5,195,110</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,662,111</u>	<u>\$ 3,670,655</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION

d/b/a USA WRESTLING

Notes to Financial Statements

For the Year Ended August 31, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States of America Wrestling Association (the Association) is the national governing body for the sport of wrestling, making it responsible for the promotion and development of its members in the United States.

The Association 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 Association is not a private foundation.

Accounting Standards Update

On August 18, 2016, the FASB issued 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. The Association has adjusted the presentation of the financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Association's financial statements:

- The temporarily restricted and permanently restricted net asset classes, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

The changes have the following effect on net assets at August 31, 2018:

Net Asset Class	As originally presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 728,673	\$
Unrestricted net assets - Board designated	1,640,308	
Temporarily restricted net assets	9,157,923	
Net assets without donor restrictions		728,673
Net assets without donor restrictions - Board designated		1,640,308
Net assets with donor restrictions		9,157,923
Total net assets	<u>\$ 11,526,904</u>	<u>\$ 11,526,904</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts. Balances in business accounts are federally insured up to \$250,000. The financial institution has collateralized the Association's sweep accounts by pledging 102% of the balances on deposit with securities backed by agencies of the federal government, as required by current law. In the event of a bank failure, the Association might only be able to recover the amounts insured and collateralized.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventory is stated at the lower of cost (first-in, first out method) or net realizable value and consists of uniforms.

Accounts Receivable

The Association has recorded accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance for doubtful accounts of \$21,640 and \$7,025 was recorded at August 31, 2019 and 2018, respectively.

Depreciation

Furniture and equipment are recorded at cost. The Association capitalizes all assets that have an original cost or fair market value of \$1,000 or greater. Depreciation is recorded using the straight-line method over the estimated useful lives for each asset as follows:

	<u>Years</u>
Furniture and equipment	3-7
Building	40

Depreciation expense for the years ended August 31, 2019 and 2018 was \$102,037 and \$83,099, 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, net assets with donor restrictions - temporary in nature are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services

The Association receives a substantial amount of donated services in carrying out the Association's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958.

Membership Revenue

Membership revenue is recognized as revenue in the corresponding year of the license and consists of the following:

	<u>2019</u>	<u>2018</u>
Athlete registrations	\$ 4,290,399	\$ 3,843,132
Non-athlete registrations	<u>2,345,532</u>	<u>2,130,064</u>
	<u>\$ 6,635,931</u>	<u>\$ 5,973,196</u>

Income Taxes

The Association 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. Accordingly, no income tax provision has been recorded. However, income from certain activities not directly related to the Association's tax-exempt purposes is subject to taxation as unrelated business income.

The Association'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 Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs, such as salaries and related payroll costs, have been allocated on the basis of time and effort estimates among the programs and supporting services benefited.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates in the 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.

Supplemental Cash Flow Information

During the years ended August 31, 2019 and 2018, the Association paid no interest or income taxes.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date that the financial statements were available to be issued.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association has grant and contract funding commitments, plus anticipated membership revenue available to meet most expenses. The Association seeks donations and other contributions to cover other general expenditures.

The Association regularly monitors liquidity necessary to meet its operating needs and other contractual commitments and strives to balance anticipated needs while maximizing the investment of its available funds for the best return on the investment while protecting the safety of the Association's assets. The Association has cash and cash equivalents and accounts receivable available as current sources of liquidity.

The table below presents financial assets available for general expenditures within one year at August 31:

Notes to Financial Statements

B. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,662,110	\$ 3,670,655
Accounts receivable	<u>146,335</u>	<u>189,090</u>
	3,808,445	3,859,745
Less assets with donor restrictions or other designations:		
Donor program restricted	639,282	644,827
Board designated	<u>974,472</u>	<u>973,016</u>
Financial assets available within one year	<u>\$ 2,194,691</u>	<u>\$ 2,241,902</u>

Note that the Association's short-term investments could also be liquidated if they were needed to meet obligations for general expenditures, less the portion of the short-term investments that have donor restrictions, or that are without donor restrictions but are Board designated. Board designated funds may be utilized if necessary, by a vote of the Board of Directors, with the approval of two-thirds of the Board Members required for the release of the designation.

C. FAIR VALUE MEASUREMENTS

The Association 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 Association 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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

- Level 3 inputs are unobservable inputs for the asset or liability.

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. Transfers between levels are recorded at the end of the period.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2019 and 2018:

Assets at Fair Value as of August 31, 2019

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 95,506	\$	\$	\$ 95,506
Mutual funds	1,722,848			1,722,848
Equities	183,121			183,121
Corporate bonds	327,351			327,351
Common stock	436,246			436,246
Real estate investment trust	11,510			11,510
USOE pooled funds		3,002,025		3,002,025
	<u>\$ 2,776,582</u>	<u>\$ 3,002,025</u>	<u>\$</u>	<u>\$ 5,778,607</u>

Assets at Fair Value as of August 31, 2018

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 34,027	\$	\$	\$ 34,027
Mutual funds	1,807,475			1,807,475
Equities	174,568			174,568
Corporate bonds	324,379			324,379
Common stock	458,558			458,558
Real estate investment trust	13,456			13,456
USOE pooled funds		2,890,715		2,890,715
	<u>\$ 2,812,463</u>	<u>\$ 2,890,715</u>	<u>\$</u>	<u>\$ 5,703,178</u>

The United States Olympic Endowment (USOE) investment consists of units in a pooled portfolio managed by the USOE. At August 31, 2019, the USOE portfolio consisted of the following types of securities:

Alternative investments	38.39%
Domestic equities	30.44
International equities	18.10
Domestic bonds	7.16
International bonds	2.63
Cash & cash equivalents	<u>3.28</u>
	<u>100.00%</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the Association's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction. Though the market values of investments are subject to fluctuation, management believes that the investment policy is prudent for the long-term welfare of the Association.

Investment income consists of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Realized gains	\$ 229,376	\$ 207,446
Interest and dividends	124,737	80,375
Unrealized gains (losses)	(249,757)	179,857
Investment expenses	<u>(20,468)</u>	<u>(24,649)</u>
	<u>\$ 83,888</u>	<u>\$ 443,029</u>

D. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The Association distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2019 and 2018. As of August 31, 2019 and 2018, the Association had net pledges receivable of \$1,556,345 and \$3,057,526, respectively, representing unconditional promises to give made during the current and prior years. The pledges are scheduled to be received by the Association during the next five years. Long-term portions of the pledges were discounted using a discount rate of 2.00%. The discount on pledges receivable was \$8,655 and \$42,474, respectively, at August 31, 2019 and 2018.

Notes to Financial Statements

E. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Membership	\$ 302,281	\$ 298,613
Sponsorship	252,407	125,649
Olympic trials	200,000	
USOPC grants	134,881	59,664
Kazakhstan packages	107,579	
USOPC digital media	100,000	100,000
Tour & participant revenue	23,900	1,800
High performance revenue	9,537	2,625
USOPC international relations	5,003	
Other	75	
Budapest packages		54,816
	<u>\$ 1,135,663</u>	<u>\$ 643,167</u>

F. OPERATING LEASES

The Association leases a mailing system under an operating lease beginning in December 2016 and ending in February 2022. This lease requires monthly payments of \$899, and replaced the previous lease, which was set to expire in September 2017. The previous lease was null and void when the new lease was executed.

Future minimum lease payments for the years ended August 31 are as follows:

2020	\$ 10,788
2021	10,788
2022	5,394

G. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

In prior years, the Board of Directors established separate cash and investment accounts for the purpose of creating an operating reserve.

Net assets without donor restrictions - Board designated amount to the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating reserve	<u>\$ 1,667,459</u>	<u>\$ 1,640,308</u>

Notes to Financial Statements

H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at August 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 5,080,580	\$ 5,038,105
Lehman women's freestyle programs	724,034	1,317,496
Men's freestyle programs	545,183	1,126,426
Greco Roman programs	222,236	518,957
Athlete appearance donations	305,366	398,300
Women's freestyle programs	302,690	516,468
Living the Dream program	136,371	147,928
Multiple medal incentive program	47,237	47,008
Kiki-Wresting for Peace	17,940	16,718
Kiki-Greco Roman programs	<u> </u>	<u>30,517</u>
	<u>\$ 7,381,637</u>	<u>\$ 9,157,923</u>

The capital campaign donations are restricted for the national team and at-risk youth programs.

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2019 and 2018, net assets were released from restrictions as follows:

	<u>2019</u>	<u>2018</u>
Men's freestyle programs	\$ 609,359	\$ 244,993
Lehman women's freestyle programs	603,266	172,700
Women's freestyle programs	329,775	205,300
Greco Roman programs	342,417	67,968
Living the Dream program	179,209	161
Athlete appearance donations	98,702	90,088
Kiki-Greco Roman programs	30,517	100,392
Kiki-Wrestling for Peace	<u>12,413</u>	<u>29,867</u>
	<u>\$ 2,205,658</u>	<u>\$ 911,469</u>

Notes to Financial Statements

I. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2019 and 2018, the United States Olympic and Paralympic Committee (USOPC) provided grants to the Association under the following categories:

	<u>2019</u>	<u>2018</u>
NGB Funding	\$ 1,244,489	\$ 1,620,063
Value in-kind	107,600	92,228
International relations grant	<u>23,627</u>	<u>14,745</u>
	<u>\$ 1,375,716</u>	<u>\$ 1,727,036</u>

In addition to the above grants, the Association recognized \$300,000 for revenue received from the USOPC for its digital media agreement during both years ended August 31, 2019 and 2018. The agreement has been extended through December 31, 2020.

The USOPC also provides significant value in-kind support in the form of room and board at the Olympic and Paralympic Training Center in Colorado Springs to support resident athlete programs and a number of camps. No amount has been reflected in these financial statements for this support.

At August 31, 2019 and 2018, the Association owed the USOPC \$118,001 and \$21,133, respectively, for Olympic and Paralympic Training Center expenses, as well as event related expenses.

The USOPC paid stipends directly to athletes in the years ended August 31, 2019 and 2018.

The Association is economically dependent upon grants from the USOPC in order to maintain its programs at current levels.

J. PENSION PLAN

The Association has a tax-sheltered annuity pension plan that covers substantially all of its employees. The plan allows employer and employee contributions. During the years ended August 31, 2019 and 2018, pension expense for employer contributions amounted to \$196,947 and \$186,290, respectively.