

**UNITED STATES SAILING
ASSOCIATION, INC. AND SUBSIDIARY**

**Consolidated Financial Statements
and Supplementary Information**

Year Ended December 31, 2021

(With Independent Auditors' Report Thereon)

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Year Ended December 31, 2021

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
SUPPLEMENTAL INFORMATION:	
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United States Sailing Association, Inc. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of United States Sailing Association, Inc. and Subsidiary (the Organization) (a non-profit organization) which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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.

Other Matter

As part of our audit of the 2021 consolidated financial statements, we also audited the adjustments described in Note 4 that were applied to restate the 2020 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 consolidated financial statements of the Organization other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Kahn, Litwin, Renya & Co, Ltd.

August 12, 2022

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2021



Assets

Current Assets:

Cash and cash equivalents	\$ 3,823,291
Accounts receivable, net	152,390
Pledges receivable, net	2,189,270
Inventory	179,562
Other current assets	114,636
Total current assets	6,459,149

Pledges Receivable, less current portion	5,101,546
Property and Equipment, net	1,192,965
Investments	1,716,612
Deferred Rent	220,959

Total Assets	\$ 14,691,231
---------------------	----------------------

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 110,116
Accrued expenses	917,206
Note payable	34,660
Deferred revenue	2,086,415
Total liabilities	3,148,397

Net Assets:

Without donor restrictions	1,774,792
With donor restrictions	9,768,042
Total net assets	11,542,834

Total Liabilities and Net Assets	\$ 14,691,231
---	----------------------

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2021



Change in net assets without donor restrictions:

Operating revenue and support:

Membership dues	\$ 2,159,861
Educational and program activities	2,428,065
Sponsorship agreements	2,026,869
U.S. Olympic and Paralympic committee support	985,000
Contributions and grant income	344,235
PPP Loan forgiveness	810,500
Other	55,998
Investment income	55,777
Net assets released from restrictions	3,109,330
Total public support and revenues	<u>11,975,635</u>

Operating expenses:

Program services	9,889,898
Management and general	1,792,817
Fundraising	723,138
Total operating expenses	<u>12,405,853</u>

Change in net assets without donor restrictions	<u>(430,218)</u>
--	-------------------------

Changes in Net Assets With Donor Restrictions:

Contributions and grant income	8,466,508
Investment income	16,501
Net assets released from restrictions	(3,109,330)
Change in net assets with donor restrictions	<u>5,373,679</u>

Change in Net Assets	4,943,461
-----------------------------	------------------

Net Assets, beginning of year, as previously stated	6,719,792
Prior period adjustment (Note 4)	(120,419)
Net Assets, beginning of year, as restated	<u>6,599,373</u>

Net Assets, end of year	<u>\$ 11,542,834</u>
--------------------------------	-----------------------------

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021



	Education	Adult Programs	Youth Programs	Competition			Total Program Services	Management and General	Fundraising	Total Expenses
				Race Administration	Olympic	Offshore				
Salaries and Benefits										
Salaries and wages	\$ 491,209	\$ 294,519	\$ 849,538	\$ 142,052	\$ 1,330,874	\$ 250,019	\$ 3,358,211	\$ 626,128	\$ 414,230	\$ 4,398,569
Employee benefits	84,756	51,960	138,681	15,071	182,876	33,463	506,807	195,953	62,725	765,485
Payroll taxes	38,924	24,363	67,510	13,665	89,743	21,088	255,293	58,992	28,809	343,094
Total salaries and benefits	614,889	370,842	1,055,729	170,788	1,603,493	304,570	4,120,311	881,073	505,764	5,507,148
Operating Expenses										
Advertising	3,838	3,372	6,466	778	10,736	1,556	26,746	20,055	2,042	48,843
Bad debt	235	1,409	704	49	664	97	3,158	1,252	109	4,519
Certificates	-	-	-	7,204	-	143,179	150,383	-	-	150,383
Dues and subscriptions	11,664	9,426	18,355	3,082	33,747	4,289	80,563	55,266	7,128	142,957
Grants	-	-	35,000	-	190,663	-	225,663	-	32,513	258,176
Information technology	8,305	7,400	25,836	15,844	22,768	12,334	92,487	44,232	24,429	161,148
Insurance	15,243	13,578	26,196	3,153	59,291	6,306	123,767	81,249	7,061	212,077
Interest	272	242	468	56	747	113	1,898	1,451	126	3,475
Logistics	944	861	4,199	251	505,856	391	512,502	5,034	437	517,973
Merchandise	76	107,790	54,127	49,590	1,706	28	213,317	17,762	2,154	233,233
Miscellaneous	4,991	5,159	13,941	10,383	16,797	2,071	53,342	26,044	4,104	83,490
Multimedia	692	617	2,255	143	31,661	286	35,654	3,691	321	39,666
Occupancy	11,067	9,858	19,018	2,289	31,169	4,578	77,979	58,990	5,126	142,095
Office expenses	32,683	41,428	146,727	15,482	257,760	13,222	507,302	146,744	41,524	695,570
Professional fees	38,251	66,132	321,688	12,708	1,124,754	15,515	1,579,048	199,906	56,650	1,835,604
Registration and event fees	3,321	81,206	23,046	466	65,097	955	174,091	5,040	3,989	183,120
Research and development	-	-	-	-	58,909	-	58,909	-	-	58,909
Sponsorship expense	5,832	6,695	16,022	1,206	748,844	2,412	781,011	31,084	2,701	814,796
Travel	13,356	35,571	170,778	2,791	589,313	9,095	820,904	31,970	10,796	863,670
Total operating expenses	150,770	390,744	884,826	125,475	3,750,482	216,427	5,518,724	729,770	201,210	6,449,704
Depreciation and Amortization	34,894	31,082	59,965	7,217	103,270	14,435	250,863	181,974	16,164	449,001
Total Expenses	\$ 800,553	\$ 792,668	\$ 2,000,520	\$ 303,480	\$ 5,457,245	\$ 535,432	\$ 9,889,898	\$ 1,792,817	\$ 723,138	\$ 12,405,853

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2021



Cash Flows from Operating Activities:

Change in net assets	\$ 4,943,461
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	449,001
Gain on disposal of property and equipment	(39,975)
Net gain on investments	(7,899)
Changes in operating assets and liabilities:	
Accounts receivable	(124,190)
Pledges receivable	(4,542,116)
Inventory	(30,695)
Other current assets	(78,042)
Deferred rent	(50,991)
Accounts payable	(106,720)
Accrued expenses	443,829
Deferred revenue	171,079
Net cash provided by operating activities	<u>1,026,742</u>

Cash Flows from Investing Activities:

Purchase of investments	(667,139)
Proceeds from sale of property and equipment	52,601
Purchase of property and equipment	(58,471)
Net cash used by investing activities	<u>(673,009)</u>

Cash Flows from Financing Activities:

Principal payments on debt	(56,958)
Net cash used by financing activities	<u>(56,958)</u>

Net Increase in Cash and Cash Equivalents **296,775**

Cash and Cash Equivalents, beginning of year **3,526,516**

Cash and Cash Equivalents, end of year **\$ 3,823,291**

Supplemental Cash Flow Information:

Cash paid for interest	<u><u>\$ 3,475</u></u>
------------------------	-------------------------------

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



1. Nature of Operations

United States Sailing Association, Inc. (the Association) was organized under the laws of the State of New York to provide leadership for the sport of sailing in the United States. The Association's mission is to increase sailing participation and excellence through education, competition, and equal opportunity, while upholding the principles of fair play, sportsmanship and safety. The Association works to achieve this mission through a wide range of programs and events, geared towards providing an equal level playing field for all sailors.

United States Sailing Foundation (the Foundation) is actively committed to the advancement of the Association through development of resources, financial and otherwise, for the Association's campaigns, program initiatives, efforts and activities. As a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code (IRC) of 1986, as amended, the Foundation shall provide support, financial and otherwise, to the benefit of the Association.

The Association and the Foundation are collectively referred to as the Organization.

2. Summary of Significant Accounting Policies

This summary of the significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include all assets, liabilities and activities of the Association and the Foundation. Intercompany accounts and transactions have been eliminated so as not to overstate the consolidated change in net assets and financial position.

Basis of Presentation

The Organization prepares its consolidated financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Cash and Cash Equivalents

The Organization considers all cash balances and highly liquid investments with original maturities of three months or less to be cash equivalents, with the exception of certain amounts classified as investments.

Accounts Receivable

The Organization carries its accounts receivable at net realizable value. Accounts receivable at December 31, 2020 was \$28,200. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

A receivable is considered past due if payment has not been received within stated terms. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance for doubtful accounts. At year-end, the allowance for doubtful accounts for accounts receivable was approximately \$13,700.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are discounted at an appropriate rate commensurate with the risk involved. If material, receivables with amounts due beyond one year are discounted to their net present value using the interest rate for treasury bills with a remaining term equal to that of future receipts.

On a periodic basis, the Organization evaluates its pledges receivable and establishes an allowance for doubtful accounts, based on a history of past collections and current credit conditions. At year-end, the allowance for doubtful accounts for pledges receivable was \$45,000.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Inventory

Inventory, consisting primarily of sailing publications, clothing, and related accessories, are stated at the lower of cost or net realizable value. Write-downs in inventory value depend on various items, including factors related to customer demand, new publications of sailing materials and economic conditions. Whenever inventory is written down, a new cost basis is established and the inventory is not subsequently written up if market conditions improve. If customer demand for the Organization's inventory is substantially less than the Organization's estimates, inventory write-downs may be required, which could have a material adverse effect on the consolidated financial statements.

Property and Equipment

All expenditures for property and equipment are capitalized at cost; the fair value of donated assets is similarly recorded. Depreciation is calculated using the straight-line basis over the estimated useful lives of the related assets, ranging from 3 to 10 years. Leasehold improvements are stated at cost less accumulated amortization, provided on the straight -line basis over the shorter of the lease term or estimated life of the asset.

The Organization evaluates long-lived assets held and used by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. No impairment loss was recognized for the year ended December 31, 2021.

Investments and Fair Value Measurement

The Organization reports its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization reports investments at fair value on a recurring basis. These investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned by the Organization and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date or, in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Realized and unrealized gains or losses are included as a component of investment gain on the consolidated statement of activities. Gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of securities sold is determined on a specific identification basis.

Deferred Revenue

Deferred revenue represents membership dues and other program receipts that have been collected in advance. These amounts are recognized as revenue in the period in which the revenue is earned. Deferred revenue at December 31, 2020 was \$1,915,336.

PPP Loan Payable

The Organization received a Paycheck Protection Program loan and elected to record the funding as a loan payable. Loan forgiveness is recognized and included in change in net assets without donor restrictions when the Organization satisfies the conditions for loan forgiveness and the forgiveness amount is formally approved by the U.S. Small Business Administration (SBA).

Revenue Recognition

Membership Dues - Revenue related to membership dues is recognized over the period the performance obligation is met. Fees collected in advance of the membership period start date are recognized as deferred revenue. Members are provided with annual access to customer service, programs, events, services and discounts.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Educational and Program Revenue - Educational and program revenue is recognized at the time services are rendered and/or obligations have been met.

Sponsorship Agreements - Sponsorship revenue represents income from corporations in exchange for various recognition at sailing events and activities. Revenue is recognized at the time services are rendered and/or obligations have been met.

Contributions, Grant Income and U.S. Olympic and Paralympic Committee Support - The Organization recognizes contributions, grant income and committee support in the year in which the contribution, grant, and support is made. Contributions, grant and committee support income is recorded either as with or without donor restrictions, depending on the existence and/or nature of any donor/grantor-imposed restrictions. However, it is the policy of the Organization to recognize contributions, grants and committee support with donor restrictions that are both received and fully expended during the same year as contributions without donor restrictions.

Donated Goods and Services - Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. During the year ended December 31, 2021, the Organization received approximately \$725,000 of in-kind contributions, which consisted mainly of sailing gear and related accessories, and is included in sponsorship agreements in the accompanying consolidated statement of activities.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the IRC. Management believes that the Organization operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits along with various other indirect expenses. The allocation methodology utilizes a weighted cost average by program is based on a 3-year running average cost of each program as a percentage of the total cost of the Organization.

Estimates

The preparation of consolidated 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 and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization. The Organization is currently in the process of evaluating the impact of adoption on the consolidated financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases*, which was later delayed to be effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard will be effective for the Organization's year ending December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets. This standard will be effective for the Organization's year ending December 31, 2022.

Subsequent Events

Management of the Organization has evaluated subsequent events through August 12, 2022, which is the date these consolidated financial statements were available to be issued.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



3. Program Accomplishments (Unaudited)

Siebel Sailors Program:

2021 was the second year of the Siebel Sailors Program Grant Cycle. In Year 1, US Sailing's Siebel Coaches embedded themselves in partner centers, learned about the distinctive culture, programs and sailors at each center, and began using the unique elements of the Siebel Method to support sailors and their skill development.

In Year 2, Partner Centers and their staff began to train on using the elements of the Siebel Method themselves, co-teaching alongside the Siebel Coaches to receive feedback and improve delivery and using the method on their own after training.

Before any sailors even showed up for the program, five Siebel Coaches and the Program Managers spent 152 hours training, virtually and in-person, with 22 center staff and volunteers. Training topics included how to create a Welcoming Environment for novice and diverse participants, using Social and Emotional Learning Techniques to improve skill development, and the latest best practices surrounding teaching sailing.

In 2021, 787 sailors participated in the Siebel Sailors Program, across 19 different Sailing Centers in seven states and the District of Columbia. These 19 Centers hosted over 2,800 hours of student-level programming and used their donated sailboats to host an additional 2,400 hours of programming outside of the Siebel Sailors Program. Of these 787 sailors, 47% identified as female or non-binary; 54% identified as non-white; and 78% received some form of scholarship for program tuition. 38% of sailors that have participated since 2020 are still participating in the program.

Olympic Program:

2021 was a pivotal year in transforming the Olympic program through Project Pinnacle.

A robust domestic training platform was established with a holistic approach encompassing coaching, equipment, nutrition, mental health, and teamwork. 2021 also marked the creation of the West Marine US Open Sailing Series, providing Olympic-class regattas in the US. While sporadic regattas at this level had occurred in the US before, this Series provided an annual circuit of six events, three in Florida and three in California.

The Olympic Development Program's Under-19 ecosystem has also been strengthened and is now made up of 150 promising young sailors.

Results from the improvements to the Olympic program are clear. In the previous three Olympic Games (2012, 2016, and 2020), the US Sailing Team earned only 1 Bronze medal from 30 opportunities. In 2021, the tide turned, American sailors had eight Top-10 finishes at the European and World regattas, and the US Youth Worlds Team was one of the Top 3 overall nations at the Youth Worlds.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



The Reach Initiative:

Science, Technology, Engineering, Math (STEM), has been a top education focus and mantra. In 2012, the Organization launched “Reach”, a national education initiative to inspire schools and sailing programs to utilize sailing as an educational platform. The Reach Initiative continues to create systemic change in how youth perceive and interact with STEM, sailing, and their environment.

The Reach Initiative utilizes sailing as an educational platform, enabling youth of all backgrounds to embrace education, establish a love of learning, and pursue productive careers requiring STEM competencies. Historically, 200+ sailing centers implemented Reach, building STEM skills for approximately 200,000 youth since 2012 (*numbers since 2020 have been lower due to Covid-19.*) Reach embraces the allure of sailing and leverages the sailing community’s resources to address a critical need to encourage youth to aspire to higher levels of STEM focused academic achievement, environmental connection, and career ambitions.

At the forefront of education innovation, Reach has given educators the tools to make STEM and sailing relevant to students and has fostered new connections with the environment. With a solid foundation of learning modules, an educator guide, and training initiatives, Reach has become the gold standard in STEM sailing. Capitalizing on the Organization’s success, the Organization looks forward to growing Reach in an expanded initiative that can be implemented among a diverse constituency of major US and worldwide cities.

4. Prior Period Adjustment

During the year ended December 31, 2021, management reviewed the Organization’s property and equipment listing and determined that property and equipment were understated by approximately \$129,900 and accumulated depreciation was understated by approximately \$250,300, resulting in an overstatement of net assets without donor restrictions of approximately \$120,400 as of January 1, 2021. Accordingly, the Organization recorded an adjustment to decrease net assets without donor restrictions and increase both property and equipment and accumulated depreciation as of January 1, 2021.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



During the year ended December 31, 2021, management reviewed the Organization's net assets with donor restrictions and determined that two funds were previously reported as restricted by purpose when they should have been restricted in perpetuity. Accordingly, the Organization reclassified \$32,000 from net assets restricted by purpose to net assets held in perpetuity. In addition, the Organization reviewed donor agreements relating to its net assets with purpose and time restrictions and noted that those funds were overstated by \$54,158. As a result, the Organization also reclassified \$54,158 from net assets with donor restrictions to net assets without donor restrictions as of January 1, 2021. These reclassifications had no effect on the Organization's total net assets as of January 1, 2021.

5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

Financial assets:

Cash and cash equivalents	\$ 3,823,291
Accounts receivable	152,390
Pledges receivable	2,189,270
Financial assets at December 31, 2021	<u>6,164,951</u>

Less: financial assets unavailable for general expenditure
within one year, due to:

Restricted by purpose	1,207,902
Restricted by time	2,189,270
	<u>3,397,172</u>

Financial assets available to meet general expenditure needs
within one year

\$ 2,767,779

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The investments of the Organization are invested for long-term appreciation and current income but may be spent at the discretion of the Board.

COVID-19 Outbreak

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak and state and local limitations, which are uncertain and cannot be predicted. While the Organization's operations continue, the Organization is not able to reliably estimate the length or severity of this outbreak and the related financial impact at this time.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



6. Pledges Receivable

Pledges receivable consist of unconditional promises to give from contributors to support the Organization's charitable mission.

At year-end, long-term pledges receivable have been discounted using the risk-free rate of 0.39% (the one-year Treasury Bill rate at December 31, 2021) to reflect the present value of those receivables. The promised contributions are due as follows:

Within one year, net of allowance for doubtful accounts of \$45,000	\$ 2,189,270
One to two years	2,319,204
Two to three years	2,126,000
Three to four years	584,006
Four to five years	77,000
Thereafter	49,750
Total pledges receivable	<u>7,345,230</u>
Less present value component	<u>54,414</u>
Total pledges receivable, net	<u>7,290,816</u>
Less current portion	<u>2,189,270</u>
Pledges receivable, less current portion, net	<u><u>\$ 5,101,546</u></u>

7. Property and Equipment

Property and equipment consisted of the following:

Leasehold improvements	\$ 31,250
Furniture and equipment	343,386
Vehicles, boats, and trailers	2,154,211
Computer equipment and software	2,331,013
Artwork	29,378
	<u>4,889,238</u>
Less accumulated depreciation	<u>3,696,273</u>
Total property and equipment, net	<u><u>\$ 1,192,965</u></u>

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



8. Investments

The Organization's investments are presented in the consolidated financial statements at their aggregate fair value and consist of the following:

	<u>Level 1</u>
Cash and cash equivalents	\$ 223,003
Equity securities:	
Large blend	189,908
Mid-cap growth	149,369
Nontraditional bond	141,469
Diversified emerging markets	451,735
Foreign blend	267,832
Intermediate core-plus bond	283,166
Consumer	<u>10,130</u>
Total investments	<u><u>\$ 1,716,612</u></u>

9. Line of Credit

The Organization has a \$500,000 line of credit with a local financial institution. Interest on any outstanding principal amount is at the Prime Rate as quoted in the Wall Street Journal (3.25% at December 31, 2021) plus 1.5%. The line of credit is due on demand and is secured by substantially all inventory and property and equipment. At December 31, 2021, there was no outstanding balance on the line of credit.

10. Note Payable

The Organization has a note payable agreement for an original amount of \$265,000 at an interest rate of 5.21% for five years, with payments due monthly. The collateral for this loan is all inventory and property and equipment. Interest expense incurred on the note payable during the year ended December 31, 2021 was approximately \$3,500. The outstanding balance of the note payable is due in 2022.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



11. Net Assets

A summary of net assets is as follows:

Net Assets Without Donor Restrictions:

Undesignated	\$ 169,199
Board-designated for judges	14,861
Board-designated for youth championships	218,831
Board-designated endowment	213,596
Invested in property and equipment, net of related debt	1,158,305
	<u>1,774,792</u>

Net Assets With Donor Restrictions:

Subject to expenditure for specified purpose:

Train and Retain Elite Athletes who excel Internationally (project pinnacle)	1,421,733
Siebel - Youth Sailing Program	172,715
Siebel - Increase Opportunity and Diversity in Sailing	164,580
Access and Adaptive sailing	62,174
Schoonmaker - Sailor's grant program	54,214
Championship Trophies Promotion and Support	25,622
Lattimore - Women and Girls Racing grant program	25,101
Youth Championship support	24,057
Other	17,665
	<u>1,967,861</u>

Subject to expenditure due to time	<u>7,290,816</u>
------------------------------------	------------------

Subject to spending policy and appropriation:

Gamble - Teaching and training pre-Olympic sailors	78,230
Teaching and promoting sportsmanship	9,438
The Tuna Fund – supporting quality umpiring match/team racing	18,779
Kohler - USA Olympic and paralympic sailing program	22,267
Kohler - Olympic sailing team coaching program	20,623
	<u>149,337</u>

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Subject to restriction in perpetuity:

Gamble - Teaching and training pre-Olympic sailors	100,000
Teaching and promoting sportsmanship	3,500
Supporting youth Multihull events and training	31,000
The Tuna Fund – supporting quality umpiring match/team racing	22,410
Kohler - USA Olympic and paralympic sailing program	100,000
Kohler - Olympic sailing team coaching program	25,000
Kevin Burnham Memorial Grant – financial support of Olympic and developing Olympic athletes	78,118
	<u>360,028</u>

Total net assets with donor restrictions	<u>9,768,042</u>
--	------------------

Total net assets	<u><u>\$ 11,542,834</u></u>
------------------	-----------------------------

12. Endowment

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Donor-restricted Endowment

The Organization's donor-restricted endowment consists of individual funds established at the request of the donors for specific purposes.

Board-designated Funds Functioning as Endowment

The Board designated certain net assets without donor restrictions as funds functioning as endowment to support the mission of the Organization. Since the funds resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions. However, they are managed in the same manner as the donor-restricted endowment funds described below.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Interpretation of Relevant Law

The Rhode Island Uniform Prudent Management of Institutional Funds Act (RIUPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-imposed endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (a) the original value of the initial and subsequent gift amounts donated to the fund and, (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor's direction expressed in the gift instrument. The remaining portion of the donor-restricted fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions subject to the spending policy and appropriation until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by RIUPMIFA.

In accordance with RIUPMIFA, the Organization considers the long and short-term needs of the Organization in carrying out its mission, the Organization's present and anticipated financial requirements, expected total returns on the Organization's investments, and general economic conditions in making a determination to appropriate or accumulate donor-restricted endowment funds.

Change in endowment net assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Gains (losses)	Original Gift Amount	Total with Donor Restrictions
Endowment net assets, beginning of year	\$ 201,981	\$ 132,836	\$ 281,910	\$ 414,746
Contributions	-	-	78,118	78,118
Endowment return:				
Interest and dividend income, net	6,466	9,108	-	9,108
Net gain on investments	5,149	7,393	-	7,393
Total return	11,615	16,501	-	16,501
Endowment net assets, end of year	<u>\$ 213,596</u>	<u>\$ 149,337</u>	<u>\$ 360,028</u>	<u>\$ 509,365</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or RIUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2021.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



Return Objective and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide a reasonably stable predictable stream of earnings to support the operations of the Organization and to preserve and enhance over time the real (inflation adjusted) value of the endowment assets. Given the relationship between risk and return, a fundamental step in determining the investment policy for endowment funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term and capital market volatility, the Board believes a moderate risk strategy is prudent. Under this policy, as approved by the Board, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a policy of appropriating for distribution each year up to five percent of its endowment fund's average fair value over the prior 12 quarters preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

13. PPP Loan Payable

On February 18, 2021, the Organization received additional loan proceeds from the PPP second-draw (PPP2 Loan) of \$810,500. Proceeds from this PPP2 Loan may only be used for payroll costs, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs cause by looting or vandalism, and certain supplier costs and expenses for operations. The PPP2 Loan was set to mature on February 18, 2026 and bore interest at a rate of 1% per annum, payable monthly. On August 10, 2021, the Organization received notification of SBA approval for forgiveness of the entire PPP2 loan proceeds.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



14. Commitments and Contingencies

Operating Leases

The Organization leases its office spaces under an operating lease which expires in August 2031, with an option to extend for an additional seven years. Rent expense totaled approximately \$102,000 for the year ended December 31, 2021.

The Organization also leases storage space on a month-to-month basis. Rent expense for the storage space totaled approximately \$12,000 for the year ended December 31, 2021.

Under the terms of the office lease, the Organization will pay the annual cash basis rent payments as follows:

<u>Year Ending</u>	<u>GAAP</u>	<u>Cash Basis</u>	<u>Difference</u>
December 31, 2022	\$ 101,981	\$ 152,972	\$ (50,991)
December 31, 2023	101,981	152,972	(50,991)
December 31, 2024	101,981	152,972	(50,991)
December 31, 2025	101,981	152,972	(50,991)
December 31, 2026	101,981	152,972	(50,991)
Thereafter	1,189,783	713,869	475,914
Total	<u>\$ 1,699,688</u>	<u>\$ 1,478,729</u>	<u>\$ 220,959</u>

Legal Contingencies

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Organization's consolidated financial statements.

Employment Contracts

The Organization has an employment agreement with the Executive Director, in which the significant terms provide for an annual salary and benefits. This agreement is an at-will agreement and is reviewed annually, unless written notice is provided to terminate the agreement.

The Organization also has an employment agreement (the Agreement) with the Chief Executive Officer. The significant terms of the Agreement provides for an annual salary, benefits, bonuses and severance. The Agreement expires on May 2, 2024, unless such employment is terminated earlier. This agreement may be renewed and extended annually, effective May 3, 2024, for successive terms of one year each, upon which it will automatically terminate unless it is further renewed. If the Organization chooses not to renew this agreement, the Organization must provide written notice six months before the expiration date.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021



15. Employee Benefit Plan

The Organization has a 403(b)-retirement plan, which is available to full-time and part-time employees. Employees are eligible to participate at their hire date. The Organization matches up to 5% of an employee's compensation starting 30 days after their hire date. Employees are fully vested to receive that match after 24 months of employment with the Organization. Total contribution expense for the year ended December 31, 2021 was approximately \$225,800.

16. Concentrations of Credit and Market Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents, receivables and investments.

The Organization maintains its operating accounts in two financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At year-end, the uninsured portion of these balances was approximately \$3,220,000. The Organization monitors its exposure with regard to cash and cash equivalents and has not experienced losses on such accounts.

At December 31, 2021, 10%, or \$15,000, of the accounts receivable balance was due from one donor. Management has performed an analysis of these receivables at year-end and does not believe that significant credit risk exists relating to accounts receivable.

At December 31, 2021, 49%, or \$3,655,000, of the pledges receivable balance was due from three donors. Management has performed an analysis of these receivables at year-end and does not believe that significant credit risk exists relating to pledges receivable.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the consolidated financial statements. The Organization's investments are maintained in a diversified portfolio in an attempt to minimize potential risk associated with marketable securities to the extent possible. The Organization retained an investment advisor to make recommendations to the Investment Committee and the Board on an appropriate and prudent level of diversification.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2021



	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,501,864	\$ 2,321,427	\$ -	\$ 3,823,291
Accounts receivable, net	152,390	569,000	(569,000)	152,390
Grants receivable	2,325,208	-	(2,325,208)	-
Pledges receivable, net	500,000	1,689,270	-	2,189,270
Inventory	179,562	-	-	179,562
Other current assets	99,874	14,762	-	114,636
Total current assets	4,758,898	4,594,459	(2,894,208)	6,459,149
 Pledges Receivable, less current portion	1,231,679	3,869,867	-	5,101,546
Property and Equipment, net	1,192,965	-	-	1,192,965
Investments	622,625	1,093,987	-	1,716,612
Deferred Rent	220,959	-	-	220,959
 Total Assets	\$ 8,027,126	\$ 9,558,313	\$ (2,894,208)	\$ 14,691,231
 Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 679,116	\$ -	\$ (569,000)	\$ 110,116
Grant payable	-	2,325,208	(2,325,208)	-
Accrued expenses	917,206	-	-	917,206
Note payable	34,660	-	-	34,660
Deferred revenue	2,078,915	7,500	-	2,086,415
Total liabilities	3,709,897	2,332,708	(2,894,208)	3,148,397
 Net Assets:				
Without donor restrictions	2,061,149	(286,357)	-	1,774,792
With donor restrictions	2,256,080	7,511,962	-	9,768,042
Total net assets	4,317,229	7,225,605	-	11,542,834
 Total Liabilities and Net Assets	\$ 8,027,126	\$ 9,558,313	\$ (2,894,208)	\$ 14,691,231

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2021



	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
Change in net assets without donor restrictions:				
Operating revenue and support:				
Membership dues	\$ 2,159,861	\$ -	\$ -	\$ 2,159,861
Educational and program activities	2,428,065	-	-	2,428,065
Sponsorship agreements	2,026,869	-	-	2,026,869
U.S. Olympic and Paralympic committee support	985,000	-	-	985,000
Contributions and grant income	2,621,279	48,164	(2,325,208)	344,235
PPP Loan forgiveness	810,500	-	-	810,500
Other	55,998	-	-	55,998
Investment income	29,252	26,525	-	55,777
Net assets released from restrictions	784,122	2,325,208	-	3,109,330
Total public support and revenues	11,900,946	2,399,897	(2,325,208)	11,975,635
Operating expenses:				
Program services	9,841,498	2,373,608	(2,325,208)	9,889,898
Management and general	1,652,538	140,279	-	1,792,817
Fundraising	202,170	520,968	-	723,138
Total operating expenses	11,696,206	3,034,855	(2,325,208)	12,405,853
Change in net assets without donor restrictions	204,740	(634,958)	-	(430,218)
Changes in Net Assets With Donor Restrictions:				
Contributions and grant income	217,543	8,248,965	-	8,466,508
Investment income	10,396	6,105	-	16,501
Net assets released from restrictions	(784,122)	(2,325,208)	-	(3,109,330)
Change in net assets with donor restrictions	(556,183)	5,929,862	-	5,373,679
Change in Net Assets	(351,443)	5,294,904	-	4,943,461
Net Assets, beginning of year, as previously stated	4,864,091	1,855,701	-	6,719,792
Prior period adjustment (Note 4)	(195,419)	75,000	-	(120,419)
Net Assets, beginning of year, as restated	4,668,672	1,930,701	-	6,599,373
Net Assets, end of year	\$ 4,317,229	\$ 7,225,605	\$ -	\$ 11,542,834