UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Functional Expenses	6
Notes to Consolidated Financial Statements	7 – 20
SUPPLEMENTAL SCHEDULES	21
Consolidating Statement of Financial Position	22
Consolidating Statement of Activities	23

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United States Sailing Association, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United States Sailing Association, Inc. and Subsidiary as of December 31, 2018, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Report on Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 22 - 23 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 consolidating statements have 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 consolidating statements are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Morrison, Brown, Argiz & Farra

Boca Raton, Florida
June 28, 2019

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	2,490,191
Investments		907,471
Accounts receivable, net		148,253
Unconditional promises to give, net, current portion		1,355,983
Inventory		196,126
Prepaid expenses		115,495
TOTAL CURRENT ASSETS		5,213,519
Restricted cash - for the purchase of property and equipment		881,000
Unconditional promises to give, net		2,781,829
Restricted investments		249,910
Other assets, net		160,817
Property and equipment, net		1,729,110
TOTAL ASSETS	**$**	**11,016,185**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$	220,230
Accrued expenses		305,819
Deferred membership revenue, current portion		1,208,528
Deferred program and other revenue		583,711
Note payable, current portion		51,406
TOTAL CURRENT LIABILITIES		2,369,694
Deferred membership revenue, less current portion		349,189
Note payable, less current portion		145,485
TOTAL LIABILITIES		2,864,368
NET ASSETS		
Without donor restrictions		935,725
With donor restrictions		7,216,092
TOTAL NET ASSETS		8,151,817
TOTAL LIABILITIES AND NET ASSETS	**$**	**11,016,185**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Membership dues	$ 2,145,690	$ -	$ 2,145,690
Educational and program activities	2,662,175	-	2,662,175
Sponsorship agreements	801,915	-	801,915
U.S. olympic committee grants	1,425,000	-	1,425,000
Contributions	2,456,859	3,439,300	5,896,159
Federal, state and local grants	312,491	-	312,491
Other	58,529	-	58,529
Investment loss, net	(66,889)	(10,053)	(76,942)
Net assets released from restrictions	993,675	(993,675)	-
TOTAL PUBLIC SUPPORT AND REVENUES	10,789,445	2,435,572	13,225,017
EXPENSES			
Program services	9,924,931	-	9,924,931
Management and general	1,344,349	-	1,344,349
Fundraising	551,012	-	551,012
TOTAL EXPENSES	11,820,292	-	11,820,292
CHANGE IN NET ASSETS	(1,030,847)	2,435,572	1,404,725
NET ASSETS AT BEGINNING OF YEAR	1,966,572	4,780,520	6,747,092
NET ASSETS AT END OF YEAR	**$ 935,725**	**$ 7,216,092**	**$ 8,151,817**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 1,404,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	593,875
Bad debt expense	118,750
Realized and unrealized losses on investments	76,942
Deferred rent receivable	(67,988)
Amortization of pledge discount	(116,097)
Gain on disposal of property and equipment	(46,100)
Contributions received to purchase property and equipment	(881,000)
Change in assets and liabilities:	
Accounts receivable	28,131
Unconditional promises to give	(12,800)
Inventory	71,936
Prepaid expenses	158,037
Accounts payable	(291,415)
Accrued expenses	(255,823)
Deferred revenue	431,754
TOTAL ADJUSTMENTS	(191,798)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,212,927
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(152,783)
Proceeds from the sale of property and equipment	67,500
Proceeds from the sale of investments	1,484,403
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,399,120
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings from line of credit	1,358,236
Repayments to line of credit	(1,858,236)
Principal payments to note payable	(48,627)
Contributions received to purchase property and equipment	881,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	332,373
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,944,420
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) - BEGINNING OF YEAR	426,771
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) - END OF YEAR	**$ 3,371,191**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	**$ 31,901**

The accompanying notes are an integral part of these consolidated financial statements.

UNITED STATES SAILING ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Education	Membership Services	Adult Programs	Youth Programs	Olympic	Total	Management and General	Fundraising	Total
Salaries and Benefits									
Salaries and wages	$ 388,526	$ 880,502	$ 230,803	$ 274,625	$ 1,143,677	$ 2,918,133	$ 744,916	$ 287,240	$ 3,950,289
Payroll taxes and other benefits	58,620	148,356	44,831	44,356	120,265	416,428	138,886	80,519	635,833
Total Salaries and Benefits	447,146	1,028,858	275,634	318,981	1,263,942	3,334,561	883,802	367,759	4,586,122
Operating Expenses									
Advertising	28,188	60,860	1,730	176	3,100	94,054	2,383	-	96,437
Interest and bank fees	-	26,853	22,743	24,699	10,577	84,872	76,817	1,711	163,400
Contractor fees	-	-	43,255	272,159	529,833	845,247	-	-	845,247
Equipment rental	1,146	25,626	-	250	336,159	363,181	19,200	-	382,381
Grants	106,300	4,992	-	2,325	110,555	224,172	-	31,586	255,758
Information technology	5,348	22,316	6,824	18,592	38,275	91,355	26,698	22,166	140,219
Insurance	16,148	38,392	13,182	13,841	76,701	158,264	18,529	7,250	184,043
Logistics	190	36,700	7,360	1,940	319,408	365,598	9,364	1,920	376,882
Merchandise and publications	11,988	169,660	127,044	62,591	1,575	372,858	4,469	804	378,131
Multimedia	25,860	22,607	20,060	-	15,085	83,612	499	597	84,708
Occupancy	25,197	68,790	19,427	32,409	39,359	185,182	36,348	11,286	232,816
Phone and internet	6,056	21,854	4,543	5,530	24,307	62,290	19,948	1,635	83,873
Postage	4,482	132,023	40,782	93,674	5,355	276,316	8,935	5,625	290,876
Printing and stationery	9,915	132,761	2,116	9,848	15,771	170,411	5,011	16,210	191,632
Professional fees	109,277	169,243	22,428	38,420	242,487	581,855	114,217	12,926	708,998
Registration and event fees	13,206	166,057	52,636	38,390	66,154	336,443	27,641	11,824	375,908
Research and development	-	-	-	-	202,198	202,198	-	-	202,198
Sponsorship expense	-	62,330	15,030	42,955	163,104	283,419	-	-	283,419
Bad debt expense	5,657	44,061	8,751	9,155	39,810	107,434	5,658	5,658	118,750
Travel	146,757	115,782	50,908	160,845	690,033	1,164,325	56,533	23,761	1,244,619
Total Operating Expenses	515,715	1,320,907	458,819	827,799	2,929,846	6,053,086	432,250	154,959	6,640,295
Depreciation and Amortization	28,296	220,350	43,762	45,782	199,094	537,284	28,297	28,294	593,875
Total Expenses	**$ 991,157**	**$ 2,570,115**	**$ 778,215**	**$ 1,192,562**	**$ 4,392,882**	**$ 9,924,931**	**$ 1,344,349**	**$ 551,012**	**$ 11,820,292**

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL

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 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 the development of resources, financial and otherwise, for the Association campaigns, programs, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Association and the Foundation (collectively referred to as the "Organization"). As such, the Organization eliminates any intercompany balances and intercompany income and expense in the consolidation process.

Basis of Presentation

The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions as follows:

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, such as membership dues and educational and program activities.

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits, reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor imposed restrictions are perpetual in nature.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers items with a maturity of three months or less to be cash equivalents.

Restricted Cash – For Purchase of Property and Equipment

U.S. GAAP requires cash received with a donor-imposed restriction for the purchase of property and equipment to be classified separately from cash that is unrestricted and available for current use. At December 31, 2018, the Organization had $881,000 of cash restricted for the purpose of property and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization's Investments consist of mutual funds and exchange traded funds with readily determinable fair values (NOTE 5). Realized and unrealized gains and losses on investments and restricted investments are reflected in the Consolidated Statement of Activities within "Investment loss, net." Realized gains and losses are reported at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are reported for the change in fair value between reporting periods. Interest and dividend income is reported when earned. Investment income (loss) that is limited to specific uses by donor restrictions is reported as increases (decreases) in net assets without donor restrictions if the restrictions are met in the same reporting period as the income (loss) is recognized.

Accounts Receivable, Net

Accounts receivable are carried at anticipated net realizable value. The Organization's allowance for doubtful accounts is based on management's estimates of current economic conditions and historical information, and, in the opinion of management, is believed to be an amount sufficient to respond to normal business conditions. In estimating the allowance, management analyzes the accounts receivable aging, historical bad debts, and other factors. The Organization reviews its receivables aging on a regular basis to determine if any of the receivables are past due. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization's allowance for doubtful accounts on accounts receivable was $13,000 at December 31, 2018. The Organization incurred no bad debt expense related to accounts receivable for the year ended December 31, 2018.

Inventory

Inventory, consisting primarily of sailing publications, clothing and other related accessories, are stated at the lower of cost or net realizable value. Write-downs in inventory value depends 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 its estimates, inventory write-downs may be required, which could have a material adverse effect on the consolidated financial statements. As a result of management's assessment, inventory is recorded net of an allowance for obsolete inventory of $40,000 at December 31, 2018.

Property and Equipment, Net

Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of the donation net of accumulated depreciation and amortization, except for artwork, which is carried at cost. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of assets. 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 estimated lives used in determining depreciation and amortization are:

Leasehold improvements	Shorter of useful life or lease term
Furniture and equipment	3 – 10 years
Vehicles, boats and trailers	3 – 6 years
Computer equipment and software	3 – 10 years

If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, the contributions are recorded as unrestricted support.

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected as an increase or decrease in net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Organization reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the year ended December 31, 2018.

Prepaid Expenses

Prepaid expenses primarily represent amounts paid in advance for insurance and events that benefits future periods.

Other Assets, Net

Publication Costs

The Organization, from time-to-time, publishes books related to sailing and sailing rules. The costs incurred related to these books are capitalized and amortized over the estimated life of the books at the time the books are published. At December 31, 2018 the Organization had approximately $93,000 of unamortized publication costs which are reflected in the caption "Other assets, net" in the accompanying Consolidated Statement of Financial Position. Amortization expense for the year ended December 31, 2018 was approximately $49,000.

Deferred Rent Receivable

The Organization recognizes rent expense on a straight-line basis when the lease contains predetermined minimum rentals over the life of the lease. The Organization currently leases its office space from a third party (NOTE 14) and will pay annual rent of $153,000 for the first fourteen years of the lease. After the initial term the Organization will have the option to extend the lease for an additional seven years and will pay annual rent of $0 for that period. At December 31, 2018, the Organization has a deferred rent receivable balance of approximately $68,000 as a result of this lease which is reflected in the caption "Other assets, net" in the accompanying Consolidated Statement of Financial Position.

Deferred Membership, Program and Other Revenue

Deferred revenue represents amounts received by the Organization for programs and services not yet provided and for membership income not yet earned.

Support and Revenue Recognition

The Organization is dependent upon public and governmental support for its operations. The amount and timeliness in which the support from fundraising events and governmental agencies is collected is essential to meet the normal cash flow needs of the Organization.

Contribution Revenue and Unconditional Promises to Give

The Organization accounts for contributions in accordance with the provisions of an accounting standard issued by the Financial Accounting Standards Board ("FASB"). In accordance with this standard, contributed goods and services, which meet certain criteria, are recorded as contributions at their estimated fair value at date of receipt. Contributions received are recorded as assets without donor restrictions or assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period they are received are reported as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition (Continued)

Contribution Revenue and Unconditional Promises to Give (Continued)

Unconditional promises to give are carried at their net realizable value. Multi-year promises are discounted using a fair market rate and reported at their net present value. The allowance for uncollectible unconditional promises to give is based on the Organization's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debt expense related to unconditional promises to give for the year ended December 31, 2018 was approximately $119,000.

Membership Dues

Membership dues are received at the beginning of the membership and the Organization recognizes membership revenue ratably over the term of the membership.

Educational and Program Revenue

Educational and program revenue is recognized when services have been rendered and/or obligations have been met.

Sponsorship Agreements

Sponsorship revenue represents support for various sailing events and activities provided by corporate entities. Revenue is recognized as the events and activities occur.

In-kind Contributions

The Organization records the value of donated goods and services when there is an objective basis available to measure the value. Donated items are reflected as support in the accompanying consolidated financial statements at their fair market values at date of receipt. During the year ended December 31, 2018 the Organization received approximately $324,000 of in-kind contributions which consisted mainly of sailing gear and related accessories.

Grants

The Organization receives grant funds from various social and governmental agencies. The amounts received under these grants are designated for specific purposes by the granting agencies. Grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the unit of service has been performed. The Organization records advances at the start of each grant as a liability. Revenues and expenses, which are treated as reciprocal transactions, are recognized as the costs are incurred. Grant receivables at year end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency.

Contributed Services

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fundraising campaigns and management that do not meet the criteria of specialized skills for consolidated financial statement recognition.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2018 were approximately $96,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among the program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. IRC. Accordingly, no provision for income tax expense was recorded.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and the State of Rhode Island jurisdiction are the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2015.

Risks and Uncertainties

The Organization depends heavily on contributions and grants for its revenue. The ability of certain contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Organization. While the Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Concentrations of Credit Risk

During the year ended December 31, 2018, the Organization received grants from the United States Olympic committee which made up approximately 11% of its total revenue. If a significant reduction in the level of funding were to occur, it would have an adverse effect on the Organization’s ability to continue operating the programs and services being provided. Management is not aware of any plans for significant reductions in the level of funding for the next fiscal year.

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and unconditional promises to give. The majority of the Organization’s cash balance is in non-interest bearing accounts which are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000. At times cash balances may exceed the FDIC coverage insurance limit. The Organization has not experienced any losses in such accounts.

The Organization invests in marketable exchange traded funds and mutual funds, which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual funds. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Organization has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Concentration of credit risk with respect to unconditional promises to give relates to one donor who represented approximately 62% of total unconditional promises to give as of December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended December 31, 2018, the Organization adopted Accounting Standard Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Organization has applied the update retrospectively and adjusted the presentation of these consolidated financial statements accordingly. As a result, the Organization has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Organization's Consolidated Statement of Financial Position and changes in net assets. In addition, the Organization has elected to continue to present the Consolidated Statement of Cash Flows using the indirect method and a separate Consolidated Statement of Functional Expenses in the consolidated financial statements.

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization elected to early adopt the standard as permitted as of December 31, 2018. The adoption of this updated did not have a material effect on the Organization's consolidated financial statements.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting (Continued)

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued an accounting standard update that removes certain disclosures related to transfers between hierarchy levels and adds certain disclosures related to Level 3 investments. The update also changes certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted. The Organization is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Clarifying the Interaction between Topic 808 and Topic 606

In November 2018, the FASB issued an accounting standard update to clarify the interaction between Topic 808, Collaborative Arrangements, and Topic 606, Revenue from Contracts with Customers. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The Organization is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through June 28, 2019, which is the date these consolidated financial statements were available to be issued.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its consolidated financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Organization monitors and maintains a cash float to cover general operating expenditures as well as establish a strict budget. The Organization also has a line of credit available with borrowing capacity of up to $500,000 which can be used to meet general expenditures within a year (NOTE 8).

The Organization's financial assets available within one year of the Consolidated Statement of Financial Position date for general expenditures are as follows:

Cash and cash equivalents	$	2,490,191
Investments		907,471
Accounts receivable, net		148,253
Unconditional promises to give, net		1,355,983
Total current financial assets		4,901,898
Less: amounts unavailable for general expenditures within one year due to:		
Net assets restricted by donors for specific purposes and programs **		3,261,353
Less: amounts unavailable to management without Board approval		
Board designated - endowment		172,553
Board designated - other		204,872
	$	**1,263,120**

** - Unconditional promises to give expected to be collected within one year that are not subject to donor restrictions for specific purposes and programs are included in the Organization's financial assets available within one year of the Consolidated Statement of Financial Position date for general expenditures.

4. INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2018:

Exchange traded funds	$	1,063,391
Mutual funds		93,990
	$	**1,157,381**

Investment loss, net from cash and cash equivalents and investments is comprised of the following for the year ended December 31, 2018:

Dividends and interest	$	39,853
Net realized and unrealized losses		(98,946)
Investment management fees		(17,849)
	$	**(76,942)**

5. FAIR VALUE MEASUREMENTS

The FASB establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements).The three levels of the fair value hierarchy under the FASB Accounting Standards Codification 820 are described as follows:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 inputs to the valuation methodology include:

  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Exchange traded funds and mutual funds – The fair value is based on the quoted share of the market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at December 31, 2018 for each of the fair value hierarchy levels:

		Fair Value Measurements at December 31, 2018		
Description	**Fair Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets:				
Exchange traded funds	$ 1,063,391	$ 1,063,391	$ -	$ -
Mutual funds	93,990	93,990	-	-
	$ 1,157,381	**$ 1,157,381**	**$ -**	**$ -**

6. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give, net consist of the following at December 31, 2018:

Due in less than one year	$	1,355,983
Due in one to five years		3,199,383
Total promises to give		4,555,366
Less:		
Allowance for doubtful accounts		(45,000)
Discount for the effects of present value		(372,554)
	$	**4,137,812**

The present value of pledges receivable have been calculated using discount rates ranging from 2.91% to 4.00% at December 31, 2018. Bad debt expense related to unconditional promises to give for the year ended December 31, 2018 was approximately $119,000.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

Leasehold improvements	$	31,250
Furniture and equipment		348,504
Vehicles, boats and trailers		1,253,779
Computer equipment and software		2,220,957
Artwork		29,378
		3,883,868
Less accumulated depreciation and amortization		(2,154,758)
	$	**1,729,110**

Depreciation and amortization expense for the year ended December 31, 2018 was approximately $545,000.

8. LINE OF CREDIT

The Organization has a line of credit with a financial institution providing for maximum borrowings up to $500,000. Interest is payable at the bank's prime rate plus 1.50% (7.00% at December 31, 2018). The line of credit is collateralized by substantially all inventory and property and equipment. Interest expense incurred on the line of credit during the year ended December 31, 2018 was approximately $20,000. At December 31, 2018, there was no outstanding balance due on the line of credit.

9. 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. The note payable amounted to $196,891 as of December 31, 2018. Interest expense incurred on the note payable during the year ended December 31, 2018 was approximately $12,000.

9. NOTE PAYABLE (CONTINUED)

Future payments under this agreement as of December 31, 2018 are as follows:

Year ending December 31,		
2019	$	51,406
2020		54,149
2021		57,039
2022		34,297
Total	**$**	**196,891**

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31, 2018:

Net assets without restrictions - Undesignated	$	558,300
Net assets without restrictions - Board designated endowment		172,553
Net assets without restrictions - Board designated other		204,872
	$	**935,725**

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Restricted by donors for specific purposes and programs	$	2,828,370
Unconditional promises to give with donor purpose restrictions		4,017,812
Unconditional promises to give without donor purpose restrictions		120,000
Endowed in perpetuity		249,910
	$	**7,216,092**

12. ENDOWMENT

The Organization’s endowment consists of funds established to support operating and program activities. The endowment includes board designated and donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Board Designated Funds

The Organization’s board designated funds consist of Olympic windfall funds. These funds do not have any donor-imposed restrictions so the board may choose to spend them at any time. Notwithstanding the absence of donor restrictions, the board has designated these funds for long-term use and has presented them accordingly.

12. ENDOWMENT (CONTINUED)

Donor Restricted Funds

Interpretation of Relevant Law – The Rhode Island Uniform Prudent Management of Institutional Funds Act ("RI UPMIFA") 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 of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The donor-restricted portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by RI UPMIFA.

In accordance with RI UPMIFA, the Organization considers the duration and preservation of the fund, the purposes of the Organization and the donor-restricted endowment fund, the general economic conditions, the possible effect of inflation and deflation, the expected total return from income and appreciation of investments, other resources of the Organization and the investment policies of the Organization.

Endowment Funds

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 370,682	$ 370,682
Board-designated endowment funds	172,553	-	172,553
Total endowment net assets	**$ 172,553**	**$ 370,682**	**$ 543,235**

Change in endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ 1,299,947	$ 389,060	$ 1,689,007
Investment loss, net	(31,238)	(5,787)	(37,025)
Release from restriction and appropriated for expenditure	(1,096,156)	(12,591)	(1,108,747)
Endowment Net Assets, End of Year	**$ 172,553**	**$ 370,682**	**$ 543,235**

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 RI UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2018.

12. ENDOWMENT (CONTINUED)

Return Objective and Risk Parameters – The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested with Charles Schwab. The Organization relies upon the experience and judgment of Windhaven Investment Management, a subsidiary of Charles Schwab to invest the funds under their direction in a manner as to achieve the established goal. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is in compliance with Global Investment Performance Standards (GIPS®) index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual results in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's board approves all spending of the Board-designated Endowment Fund when required to support the operations of the Organization. Income from donor-restricted investments may only be used in furtherance of its exempt purposes retaining the principal within the Organization as an endowment. Income is defined as the total return derived from capital, including the net of realized and unrealized appreciation and depreciation. All money or other property received as interest or as dividends on corporate shares shall be deemed income. Income not expended in a year may be accumulated and added to principal or held as undistributed income for future distribution, absent donor stipulation to the contrary.

13. 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. After two years of employment, the Organization matches employee contributions up to 5% of an employee's compensation. Total contribution expense for the year ended December 31, 2018 was approximately $108,000.

14. COMMITMENTS

Operating Leases

The Organization leases its office space under an operating which expires in August 2038. The initial lease term is for 14 years with an option to extend for an additional seven years which the Organization anticipates it will exercise. The Organization also leases storage space on a month-to-month basis. The Organization recognizes rent expense on a straight-line basis when the lease contains predetermined minimum rentals over the life of the lease (NOTE 1). Total rent expense for the year ended December 31, 2018 was approximately $97,000 and is included within the caption "Occupancy" in the accompanying Consolidated Statement of Functional Expenses.

14. COMMITMENTS (CONTINUED)

Operating Leases (Continued)

Approximate aggregate minimum lease payments under these operating leases as of December 31, 2018 are as follows:

Year Ending December 31,		
2019	$	153,000
2020		153,000
2021		153,000
2022		153,000
2023		153,000
Thereafter		1,173,000
Total	**$**	**1,938,000**

Litigation, Claims, and Assessments

In the ordinary course of business, the Organization is exposed to various claims, threats, and legal proceedings, some of which are initiated by the Organization. In management's opinion, the outcome of all such existing matters will not have a material impact on the Organization's consolidated financial position and consolidated results of operations.

SUPPLEMENTAL SCHEDULES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS	**United States Sailing Association, Inc.**	**United States Sailing Foundation**	**Eliminations**	**Consolidated**
CURRENT ASSETS:				
Cash and cash equivalents	$ 310,462	$ 2,179,729	$ -	$ 2,490,191
Investments	802,410	105,061	-	907,471
Accounts receivable, net	148,253	-	-	148,253
Unconditional promises to give, net, current portion	1,312,733	43,250	-	1,355,983
Inventory	196,126	-	-	196,126
Prepaid expenses	115,495	-	-	115,495
TOTAL CURRENT ASSETS	2,885,479	2,328,040	-	5,213,519
Restricted cash - for the purchase of property and equipment	-	881,000	-	881,000
Unconditional promises to give, net	2,700,826	81,003	-	2,781,829
Restricted investments	103,500	146,410	-	249,910
Other assets, net	160,817	-	-	160,817
Property and equipment, net	1,729,110	-	-	1,729,110
TOTAL ASSETS	**$ 7,579,732**	**$ 3,436,453**	**-**	**$ 11,016,185**
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 220,230	$ -	$ -	$ 220,230
Accrued expenses	305,819	-	-	305,819
Deferred membership revenue, current portion	1,208,528	-	-	1,208,528
Deferred program and other revenue	583,711	-	-	583,711
Note payable, current portion	51,406	-	-	51,406
TOTAL CURRENT LIABILITIES	2,369,694	-	-	2,369,694
Deferred membership revenue, less current portion	349,189	-	-	349,189
Note payable, less current portion	145,485	-	-	145,485
TOTAL LIABILITIES	2,864,368	-	-	2,864,368
NET ASSETS				
Without donor restrictions	324,040	611,685	-	935,725
With donor restrictions	4,391,324	2,824,768	-	7,216,092
TOTAL NET ASSETS	4,715,364	3,436,453	-	8,151,817
TOTAL LIABILITIES AND NET ASSETS	**$ 7,579,732**	**$ 3,436,453**	**$ -**	**$ 11,016,185**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	United States Sailing Association, Inc.	United States Sailing Foundation	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS				
Membership dues	$ 2,145,690	$ -	$ -	$ 2,145,690
Educational and program activities	2,662,175	-	-	2,662,175
Sponsorship agreements	801,915	-	-	801,915
U.S. olympic committee grants	1,425,000	-	-	1,425,000
Contributions	2,020,558	725,921	(289,620)	2,456,859
Federal, state and local grants	312,491	-	-	312,491
Other	58,529	-	-	58,529
Investment loss, net	(60,618)	(6,271)	-	(66,889)
Net assets released from restrictions	820,378	173,297	-	993,675
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	10,186,118	892,947	(289,620)	10,789,445
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS				
Contributions	814,800	2,624,500	-	3,439,300
Investment loss, net	(2,002)	(8,051)	-	(10,053)
Net assets released from restrictions	(820,378)	(173,297)	-	(993,675)
TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS	(7,580)	2,443,152	-	2,435,572
TOTAL PUBLIC SUPPORT AND REVENUES	10,178,538	3,336,099	(289,620)	13,225,017
EXPENSES				
Program services	9,802,875	122,056	-	9,924,931
Management and general	1,258,427	85,922	-	1,344,349
Fundraising	546,247	294,385	(289,620)	551,012
TOTAL EXPENSES	11,607,549	502,363	(289,620)	11,820,292
CHANGE IN NET ASSETS	(1,429,011)	2,833,736	-	1,404,725
NET ASSETS AT BEGINNING OF YEAR	6,144,375	602,717	-	6,747,092
NET ASSETS AT END OF YEAR	**$ 4,715,364**	**$ 3,436,453**	**$ -**	**$ 8,151,817**

The accompanying notes are an integral part of these consolidated financial statements.