



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

USA DIVING, INC.

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Independent Auditors' Report

Board of Directors
USA Diving, Inc.

We have audited the accompanying financial statements of USA Diving, Inc., a not-for-profit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Diving, Inc. as of December 31, 2018 and 2017, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Outstanding Litigation

As discussed in Note 9 to the financial statements, the Organization is a defendant in multiple lawsuits, including one class action lawsuit, an individual lawsuit, and a Civil Investigative Demand pursuant to Indiana Law. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2018, USA Diving, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
December 9, 2019

USA DIVING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

	2018	Adjusted 2017
CURRENT ASSETS		
Cash	\$ 203,526	\$ 265,495
Investments	31,191	630,219
Accounts receivable, net	15,670	20,649
Due from US Diving Foundation	43,750	43,750
Prepaid expenses	4,500	68,573
Total Current Assets	298,637	1,028,686
PROPERTY AND EQUIPMENT, net	31,807	43,978
TOTAL ASSETS	\$ 330,444	\$ 1,072,664

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 207,550	\$ 198,237
Accrued salaries	13,237	14,956
Due to USOC	39,608	
Deferred revenue	119,136	188,148
Total Current Liabilities	379,531	401,341
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(210,258)	517,428
With Donor Restrictions	161,171	153,895
Total Net Assets (Deficit)	(49,087)	671,323
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 330,444	\$ 1,072,664

See accompanying notes.

USA DIVING, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			Adjusted 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
US Diving Foundation	\$ 180,900		\$ 180,900	\$ 175,500		\$ 175,500
Raymond C. Rude Supporting Foundation, Inc.	365,392		365,392	390,300		390,300
USOC grants	982,453		982,453	983,884		983,884
Membership dues	406,786		406,786	443,258		443,258
Corporate licensing, sponsorships, and broadcast	214,005		214,005	182,832		182,832
National and regional events	266,175		266,175	95,366		95,366
Safety	838		838	23,381		23,381
Contributions	28,057	\$ 7,276	35,333	11,829	\$ 32,599	44,428
Unrealized gain on pooled investments at U.S. Olympic Endowment	10,972		10,972	87,400		87,400
Other grants and income	78,432		78,432	72,578		72,578
Total Revenue and Support	<u>2,534,010</u>	<u>7,276</u>	<u>2,541,286</u>	<u>2,466,328</u>	<u>32,599</u>	<u>2,498,927</u>
EXPENSES						
Program services:						
Member services	402,527		402,527	522,765		522,765
Competitive programs	2,043,218		2,043,218	1,700,996		1,700,996
Supporting services:						
General and administrative	749,200		749,200	538,686		538,686
Fundraising	66,751		66,751	20,768		20,768
Total Expenses	<u>3,261,696</u>		<u>3,261,696</u>	<u>2,783,215</u>		<u>2,783,215</u>
INCREASE (DECREASE) IN NET ASSETS	(727,686)	7,276	(720,410)	(316,887)	32,599	(284,288)
NET ASSETS (DEFICIT)						
Beginning of Year	<u>517,428</u>	<u>153,895</u>	<u>671,323</u>	<u>834,315</u>	<u>121,296</u>	<u>955,611</u>
End of Year	<u>\$ (210,258)</u>	<u>\$ 161,171</u>	<u>\$ (49,087)</u>	<u>\$ 517,428</u>	<u>\$ 153,895</u>	<u>\$ 671,323</u>

See accompanying notes.

USA DIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Member Services	Competitive Programs	Management and General	Fundraising	Total
Salaries	\$ 147,597	\$ 538,781	\$ 239,162	\$ 26,047	\$ 951,587
Employee benefits	27,058	23,875	31,305	4,775	87,013
Education	46,459	62,221	12,765	106	121,551
Professional services			195,408		195,408
Advertising and promotion	3,630	13,365	10,613	1,706	29,314
Office expenses		1,812	23,801		25,613
Rent			49,844		49,844
Depreciation and amortization	7,268	6,413	6,413	1,282	21,376
Information technology		19,475	9,914	2,146	31,535
Insurance	90,804	61,088	12,029		163,921
Direct athlete support		1,114,547		29,546	1,144,093
Apparel		179,403	3,605		183,008
Travel		17,591	19,777		37,368
Conferences and meetings	35,654		30,462		66,116
Awards and recognition		4,647		1,143	5,790
Membership benefits	44,057				44,057
Other			104,102		104,102
TOTAL EXPENSES	<u><u>\$ 402,527</u></u>	<u><u>\$ 2,043,218</u></u>	<u><u>\$ 749,200</u></u>	<u><u>\$ 66,751</u></u>	<u><u>\$ 3,261,696</u></u>

See accompanying notes.

USA DIVING, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Decrease in net assets	\$ (720,410)	\$ (284,288)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation and amortization	21,376	22,377
Unrealized gain on pooled investments	(10,972)	(87,400)
(Increase) decrease in certain current assets:		
Accounts receivable	4,979	50,129
Due from USOC		25,000
Due from US Diving Foundation		1,145
Prepaid expenses	64,073	47,901
Increase (decrease) in certain current liabilities:		
Accounts payable and accrued expenses	9,313	93,319
Accrued salaries	(1,719)	(5,192)
Due to USOC	39,608	
Due to Raymond C. Rude Supporting Foundation, Inc.		(118,278)
Deferred revenue	(69,012)	22,464
Net Cash Used by Operating Activities	<u>(662,764)</u>	<u>(232,823)</u>
INVESTING ACTIVITIES		
Purchases of equipment	(9,205)	(5,598)
Proceeds from sale of investments	610,000	
Net Cash Provided (Used) by Investing Activities	<u>600,795</u>	<u>(5,598)</u>
NET DECREASE IN CASH	(61,969)	(238,421)
CASH		
Beginning of Year	<u>265,495</u>	<u>503,916</u>
End of Year	<u>\$ 203,526</u>	<u>\$ 265,495</u>

See accompanying notes.

USA DIVING, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USA Diving, Inc. (USA Diving) is a not-for-profit corporation located in Indianapolis, Indiana. USA Diving has been designated the National Governing Body for the Olympic sport of diving by the United States Olympic Committee (USOC). USA Diving was formed to organize and administer all aspects of competitive diving in the United States. Accordingly, USA Diving registers athletes and coaches, promotes the sport of diving, sanctions competitive diving events, and assembles and manages national diving teams.

New Accounting Pronouncements: During 2018, USA Diving adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU enhances the understandability of net asset classification, requires information about liquidity and availability of resources, and increases the consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all years presented, except for the analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources were omitted for 2017, as permitted by the ASU in the year of adoption.

Risks and Uncertainties: USA Diving had a decrease in net assets of \$720,410 in 2018, resulting in a net deficit of \$49,087. USA Diving is involved in two lawsuits, the results of which could have a material impact to USA Diving's operations (see Note 9). These conditions and events in the aggregate indicate there is substantial doubt about USA Diving's ability to continue as a going concern for at least one year after the date the financial statements were available to be issued. USA Diving's management has put a plan in place for 2019 and 2020 to reduce administrative costs, increase efforts for sponsorships and membership levels. The plan created by management does result in a decrease in net assets, but provides for positive operating cash flows in 2019. Subsequent to year end, USA Diving entered into a line of credit agreement for maximum borrowings of \$120,000 to help with short-term cash flow needs (see Note 10). Management has also budgeted for an increase in net assets and positive operating cash flows in 2020 with the Olympic Games running in the summer of 2020. Based on management's plans and the updated status of the lawsuits, management has determined the substantial doubt about USA Diving's ability to continue as a going concern has been alleviated.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require USA Diving to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of USA Diving's management and Board of Directors. This net asset category includes Board-designated net assets.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of USA Diving or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the same year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, and when a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash consists of cash in demand deposit accounts. USA Diving maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. USA Diving has not experienced any losses from its bank accounts.

Accounts Receivable represent amounts due for memberships and services provided and are generally payable within 30 days of the billing date. Accounts receivable are stated at the amount billed by USA Diving. Accounts receivable are reviewed regularly for collectability and an allowance for doubtful accounts receivable is recorded, if necessary, based on management's judgement and analysis of the creditworthiness of the creditors, historical experience, economic conditions, and other relevant factors. Accounts receivable are written off against the allowance when deemed uncollectible. At December 31, 2018 and 2017, the allowance was \$1,000.

USOC Grants: USOC provides funding to USA Diving for specifically approved programs through advances or reimbursements.

Investment Valuation and Income Recognition: USA Diving's investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

The statements of activities reports of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment: Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost, except for donated items, which are recorded at fair market value at the date of donation, less accumulated depreciation. Items over \$1,000 are capitalized. USA Diving provides for depreciation using the straight-line method over estimated useful lives as follows:

Furniture and equipment	3-7 years
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Contributions are recognized as support when they are received or unconditionally pledged. Conditional contributions are not recorded as support and revenues until the conditions are met.

Program Service Revenue is recognized when earned at the time the service is performed. Program service fees received in advance are included in deferred revenue until the related services are performed.

Membership Dues are recorded as deferred revenue and recognized as revenue ratably over the membership period of one year.

Deferred Revenue: Amounts received pursuant to sponsorship agreements, event agreements, or prepaid membership dues are recorded as deferred revenue and recognized in subsequent periods when earned. As of December 31, 2018 and 2017, prepaid membership dues of \$119,136 and \$182,627, respectively, were included in deferred revenue. As of December 31, 2018 and 2017, other deferred revenue of \$0 and \$5,521, respectively, was also included in deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Goods and Services: Contributions of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. No such contributions were recorded in 2018 or 2017. Contributions of other goods are recorded at estimated fair value when received. Sponsors and USOC provide goods and services to USA Diving. In-kind contributions include apparel and team uniforms, airline travel, and publication printing. In-kind contributions recognized on the statements of activities were \$168,657 in 2018 and \$101,221 in 2017. No revenue or expense is recognized when the value of the services provided cannot be objectively or reasonably estimated.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on occupied space (including, occupancy, interest, and depreciation and amortization) or time spent by USA Diving staff (including, personnel expenses, office expenses, information technology, travel, and conferences and meetings). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of USA Diving.

Income Tax: USA Diving is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. In addition, USA Diving has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended December 31, 2018 and 2017.

USA Diving files U.S. federal and state of Indiana information returns. USA Diving is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015.

Reclassifications: Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements.

Subsequent Events: USA Diving has evaluated the financial statements for subsequent events occurring through December 9, 2019, the date the financial statements were available to be issued. See Note 10.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

USA Diving's financial assets available for general expenditure within one year of December 31, 2018 were as follows:

Cash	\$ 203,526
Investments	31,191
Accounts receivable, net	15,670
Due from US Diving Foundation	<u>43,750</u>
Total Financial Assets	294,137
Donor-imposed restrictions:	
Funds restricted by donor	<u>(161,171)</u>
Financial assets and liquidity resources available to meet general expenditures within one year	<u>\$ 132,966</u>

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, USA Diving considers all expenditures related to its ongoing activities of its program services as well as the conduct of services undertaken to support those activities to be general expenditures.

USA Diving considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during USA Diving's fiscal year.

USA Diving manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

USA Diving has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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) and the lowest priority to unobservable inputs (Level 3). The asset 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 three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that USA Diving has the ability to access.

Level 2 – Inputs to the valuation methodology may 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; and/or 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. In situations where there is little or no market activity for the asset or liability, USA Diving makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodology used by USA Diving for assets that are measured at fair value on a recurring basis. There has been no change in the methodology used at December 31, 2018 and 2017.

Pooled Investments at the U.S. Olympic Endowment: Valued at USA Diving's proportionate share of the investments held within the pooled fund. Investments held in the investment pool are valued using the market value unit method, which assigns a number of units to each participant based on the relationship of the individual participant's investments to the total investments at the time the investments are pooled. Periodically, the pooled assets are valued and new unit values are assigned and used for valuing additions to, or withdrawals from, the pool by existing members or by new participants entering the pool. USA Diving may withdraw from the pool at any time. The underlying investments held by the pool include treasury bills, Government Agency bonds, international bonds, and exchange-traded funds, which are valued at quoted market prices, and alternative investments and mutual funds, which are valued at the published NAV.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

For assets with fair value measured using Level 3 inputs, management determines the fair value measurement policies and procedures in consultation with the Board. Those policies and procedures are reassessed as necessary to determine if the current valuation techniques are appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although USA Diving's management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of these assets could result in a different fair value measurement at the reporting date.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of USA Diving's assets that are measured at fair value on a recurring basis as of December 31, 2018 and 2017:

2018	Level 3	Total
Assets		
Pooled Investments at U.S. Olympic Endowment	<u>\$ 31,191</u>	<u>\$ 31,191</u>
Total Assets at Fair Value	<u>\$ 31,191</u>	<u>\$ 31,191</u>
2017		
Assets		
Pooled Investments at U.S. Olympic Endowment	<u>\$630,219</u>	<u>\$630,219</u>
Total Assets at Fair Value	<u>\$630,219</u>	<u>\$630,219</u>

At December 31, 2018 and 2017, USA Diving had no other assets and no liabilities that are measured at fair value on a recurring basis.

Following is a summary of the changes in the fair value of Level 3 Pooled Investments at U.S. Olympic Endowment measured on the recurring basis for the years ended December 31, 2018 and 2017:

Balance at December 31, 2016	\$ 542,819
Unrealized gain on pooled investments at U.S. Olympic Endowment included in earnings	<u>87,400</u>
Balance at December 31, 2017	630,219
Distributions	(610,000)
Unrealized gain on pooled investments at U.S. Olympic Endowment included in earnings	<u>10,972</u>
Balance at December 31, 2018	<u>\$ 31,191</u>

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents USA Diving's Level 3 assets, the valuation techniques used to measure the fair value of those assets, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Basis or Range of Significant Input Values
2018				
Pooled Investments at U.S. Olympic Endowment	<u>\$ 31,191</u>	Market value unit method	Unit Value	<u>\$ 31,191</u>
2017				
Pooled Investments at U.S. Olympic Endowment	<u>\$630,219</u>	Market value unit method	Unit Value	<u>\$630,219</u>

As of December 31, 2018 and 2017, the U.S. Olympic Endowment portfolio consisted of the following investments as a percentage of total investments:

	2018	2017
Treasury Bills	3.4%	6.5%
Fixed income investments:		
Government Agency bonds	3.4%	6.0%
International bonds	3.6%	2.8%
Mutual fund shares:		
Large cap funds	19.5%	20.0%
Small cap funds	10.2%	10.5%
International funds	18.4%	19.8%
Alternative investments:		
Public real assets	6.5%	5.3%
Hedge funds	24.7%	19.7%
Other	10.3%	9.4%

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Furniture and equipment	\$131,215	\$122,009
Less: Accumulated depreciation	<u>(99,408)</u>	<u>(78,031)</u>
Total Property and Equipment, Net	<u>\$ 31,807</u>	<u>\$ 43,978</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Dive-In Campaign – Junior Diving	\$115,171	\$111,895
Masters	36,000	32,000
Scholarship	<u>10,000</u>	<u>10,000</u>
Net Assets With Donor Restrictions	<u>\$161,171</u>	<u>\$153,895</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors. There were no net assets released from donor restrictions for the years ended December 31, 2018 and 2017.

NOTE 6 - RELATED PARTY TRANSACTIONS

USA Diving is the sole member of US Diving Foundation (the Foundation); however, USA Diving does not have a majority voting interest in electing the Foundation's board of directors. The purpose of the Foundation is to benefit the educational and charitable purposes of USA Diving and to advance the sport of diving. The Foundation also makes grants to various not-for-profit and for-profit organizations in carrying out the mission of USA Diving. Amounts due to USA Diving from the Foundation at December 31, 2018 and 2017 were \$43,750. Grants from the Foundation amounted to 7% of all support and revenue in 2018 and 2017, respectively.

USA Diving is a member of USOC, a federally-chartered nonprofit organization charged with governing and supporting United States Olympic and Paralympic governing bodies. Included in USOC grants are in-kind amounts of \$58,501 in 2018 and \$60,126 in 2017. Amounts due to USOC at December 31, 2018 were \$39,608. There were no amounts due to or from USOC at December 31, 2017. Grants from USOC amounted to 39% of all support and revenue in 2018 and 2017.

Raymond C. Rude Supporting Foundation, Inc. is a related party donor to USA Diving and the Foundation. Grants from the Raymond C. Rude Supporting Foundation, Inc. amounted to 14% and 16% of all support and revenue in 2018 and 2017, respectively.

NOTE 7 - OPERATING LEASES

USA Diving has a long-term noncancellable operating lease for office space which expires in 2020. At December 31, 2018, the future minimum rental payments are as follows:

Payable In	Rental Payments
2019	\$55,500
2020	<u>42,300</u>
Total	<u>\$97,800</u>

Total rent expense was \$49,844 in 2018 and \$60,313 in 2017.

NOTE 8 - EMPLOYEE BENEFIT PLAN

USA Diving sponsors a 401(k) plan (Plan) for its eligible employees. The Plan requires USA Diving to make certain minimum contributions to eligible employees on an annual basis. USA Diving may make additional discretionary contributions and employee contributions are permitted. All contributions are 100% vested immediately. USA Diving contributions to the Plan were \$28,017 in 2018 and \$36,891 in 2017.

NOTE 9 - CONTINGENCIES

On September 30, 2018, a Class Action Complaint was filed against USA Diving. USA Diving, through its legal counsel, filed two separate rounds of Motions to Dismiss. On May 21, 2019, the Court granted virtually all of the relief requested and dismissed most of the Plaintiff's claims, most notably, all of the federal based claims. Per the Court's order, on June 11, 2019, Plaintiff's filed their Second Amended Class Action Complaint alleging only two remaining claims against USA Diving. USA Diving declined to put forth a settlement offer and is vigorously defending its interest. In October 2019, the class action lawsuit was dropped to an individual claim. Management believes a loss to USA Diving resulting from the claim is not probable and estimable.

On July 11, 2018, another Class Action Complaint was filed against USA Diving. On October 1, 2018, USA Diving, through its legal counsel, filed a Motion to Dismiss the First Amended Complaint. On November 19, 2018, Plaintiffs filed a Second Amended Complaint that was entered on as of December 4, 2018. On December 28, 2018, the Court, upon a motion filed by USA Diving, stayed the entire case pursuant to a newly enacted federal law referenced in Plaintiff's allegations due to a pending criminal case against a coach. No discovery has occurred and the matter is in the beginning stages. USA Diving declined to put forth a settlement offer and will vigorously defend its interest upon lifting of the stay. Management believes a loss to USA Diving resulting from the claim is not probable and estimable.

On September 26, 2018, the Indiana Attorney General served USA Diving with its Civil Investigative Demand pursuant to Indiana law that allows the Attorney General to monitor not-for-profit organizations having operations in Indiana. USA Diving is cooperating with the Attorney General's request.

USA Diving is also involved in an unasserted claim. Management believes a loss to USA Diving resulting from the claim is not probable and estimable.

NOTE 10 - SUBSEQUENT EVENTS

In February 2019, USA Diving entered into a line of credit agreement with a lender for maximum borrowings of \$120,000. The line of credit agreement expires based on the option selected by USA Diving at the time of the initial draw, as defined in the agreement. Borrowings under the line of credit are subject to interest, as defined in the agreement. The line of credit is secured by substantially all of the assets of USA Diving.