

**UNITED STATES ROWING  
ASSOCIATION AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS**

December 31, 2012

**UNITED STATES ROWING ASSOCIATION AND AFFILIATE**

**TABLE OF CONTENTS**

December 31, 2012

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	<u>Page Number</u>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements</b>	
Combined Statement of Financial Position.....	3
Combined Statement of Activities.....	4
Combined Statement of Cash Flows.....	5
Notes to Combined Financial Statements.....	6

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
United States Rowing Association and Affiliate

### Report on the Financial Statements

We have audited the accompanying combined statement of financial position of United States Rowing Association and Affiliate (the "Organization") as of December 31, 2012 and 2011, and the related combined statements of activities and cash flows for the years then ended, and the related combined notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

- AN INDEPENDENTLY OWNED MEMBER,  
MCGLADREY ALLIANCE
- AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS
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SECTION
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- REGISTERED WITH THE PCAOB

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 the Organization as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Amercador, PC*  
*Certified Public Accountants*

May 24, 2013

**UNITED STATES ROWING ASSOCIATION AND AFFILIATE**

**COMBINED STATEMENT OF FINANCIAL POSITION**

December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 386,478	\$ 310,346
Receivables	229,406	195,479
Prepaid expenses and deposits	91,061	180,346
Merchandise inventory	9,033	17,950
Property and equipment, net	266,511	288,574
Pooled investments held by the USOF	1,348,373	1,255,024
Investments - restricted	<u>365,350</u>	<u>328,176</u>
Total Assets	<u>\$ 2,696,212</u>	<u>\$ 2,575,895</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and other liabilities	\$ 272,126	\$ 278,401
Deferred revenue	<u>515,258</u>	<u>511,271</u>
Total Liabilities	<u>787,384</u>	<u>789,672</u>
Net Assets		
Unrestricted	1,543,477	1,458,046
Temporarily restricted	114,940	80,766
Permanently restricted	<u>250,411</u>	<u>247,411</u>
Total Net Assets	<u>1,908,828</u>	<u>1,786,223</u>
Total Liabilities and Net Assets	<u>\$ 2,696,212</u>	<u>\$ 2,575,895</u>

**UNITED STATES ROWING ASSOCIATION AND AFFILIATE**

**COMBINED STATEMENT OF ACTIVITIES**  
Years Ended December 31, 2012 and 2011

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues</b>								
Membership dues	\$ 1,764,681	\$ -	\$ -	\$ 1,764,681	\$ 1,705,429	\$ -	\$ -	\$ 1,705,429
Contributions and grants	981,798	-	3,000	984,798	1,115,725	-	2,800	1,118,525
United States Olympic Committee	1,507,200	-	-	1,507,200	1,300,000	-	-	1,300,000
Sponsorship	906,126	-	-	906,126	670,402	-	-	670,402
Regattas/conferences	790,892	-	-	790,892	750,396	-	-	750,396
National team events	469,442	-	-	469,442	366,141	-	-	366,141
Merchandise	184,337	-	-	184,337	175,866	-	-	175,866
Fundraising	235,449	-	-	235,449	233,959	-	-	233,959
Advertising	6,775	-	-	6,775	17,900	-	-	17,900
Miscellaneous	7,598	-	-	7,598	32,803	-	-	32,803
Gain on sale of equipment	6,706	-	-	6,706	4,357	-	-	4,357
Investment return	154,681	34,174	-	188,855	(104,833)	2,819	-	(102,014)
<b>Total support and revenues</b>	<b>7,015,685</b>	<b>34,174</b>	<b>3,000</b>	<b>7,052,859</b>	<b>6,268,145</b>	<b>2,819</b>	<b>2,800</b>	<b>6,273,764</b>
<b>Expenses</b>								
<b>Program expenses</b>								
National team training and competition	3,835,538	-	-	3,835,538	3,445,695	-	-	3,445,695
Public awareness	331,610	-	-	331,610	411,279	-	-	411,279
Events	2,349,534	-	-	2,349,534	2,162,398	-	-	2,162,398
Management and general	167,381	-	-	167,381	149,169	-	-	149,169
Fundraising	246,191	-	-	246,191	186,725	-	-	186,725
<b>Total expenses</b>	<b>6,930,254</b>	<b>-</b>	<b>-</b>	<b>6,930,254</b>	<b>6,355,266</b>	<b>-</b>	<b>-</b>	<b>6,355,266</b>
<b>Change in net assets</b>	<b>85,431</b>	<b>34,174</b>	<b>3,000</b>	<b>122,605</b>	<b>(87,121)</b>	<b>2,819</b>	<b>2,800</b>	<b>(81,502)</b>
<b>Net assets, beginning of year</b>	<b>1,458,046</b>	<b>80,766</b>	<b>247,411</b>	<b>1,786,223</b>	<b>112,645</b>	<b>77,947</b>	<b>244,611</b>	<b>435,203</b>
<b>Change in reporting entity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,432,522</b>	<b>-</b>	<b>-</b>	<b>1,432,522</b>
<b>Net assets, beginning of year restated</b>	<b>1,458,046</b>	<b>80,766</b>	<b>247,411</b>	<b>1,786,223</b>	<b>1,545,167</b>	<b>77,947</b>	<b>244,611</b>	<b>1,867,725</b>
<b>Net assets, end of year</b>	<b>\$ 1,543,477</b>	<b>\$ 114,940</b>	<b>\$ 250,411</b>	<b>\$ 1,908,828</b>	<b>\$ 1,458,046</b>	<b>\$ 80,766</b>	<b>\$ 247,411</b>	<b>\$ 1,786,223</b>

See notes to combined financial statements.

**UNITED STATES ROWING ASSOCIATION AND AFFILIATE**

**COMBINED STATEMENT OF CASH FLOWS**

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 122,605	\$ (81,502)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	127,090	144,037
Gain on sale of equipment	(6,706)	(4,357)
Net (gain) loss on investments	(162,679)	122,265
Contributions received for endowment	(3,000)	(2,800)
Increase (decrease) in cash from		
Receivables	(33,927)	(36,533)
Prepaid expenses and deposits	89,285	(104,349)
Merchandise inventory	8,917	5,011
Accounts payable and other liabilities	(6,275)	(65,864)
Deferred revenue	<u>3,987</u>	<u>91,242</u>
Net cash from operating activities	<u>139,297</u>	<u>67,150</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(119,555)	(141,881)
Proceeds from sale of equipment	21,234	21,252
Proceeds from sale of investments	218,862	290,436
Purchases of investments	<u>(186,706)</u>	<u>(240,041)</u>
Net cash from investing activities	<u>(66,165)</u>	<u>(70,234)</u>
Cash Flows from Financing Activities		
Contributions received for endowment	<u>3,000</u>	<u>2,800</u>
Net change in cash and cash equivalents	76,132	(284)
Cash and cash equivalents, beginning of year	<u>310,346</u>	<u>310,630</u>
Cash and cash equivalents, end of year	<u>\$ 386,478</u>	<u>\$ 310,346</u>

## UNITED STATES ROWING ASSOCIATION AND AFFILIATE

### NOTES TO COMBINED FINANCIAL STATEMENTS

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#### A. NATURE OF ORGANIZATION

United States Rowing Association (the "Association") is located in Princeton, New Jersey and is the designated National Governing Body for the Olympic sport of rowing. The Association was so designated by the United States Olympic Committee (the "USOC") and is an Olympic Sport Organization member. The Association is also the United States representative to the Federation Internationale des Societes d'Aviron ("FISA"), an organization whose purpose is to promote the development of the sport of rowing throughout the world. In addition to organizing the United States Olympic Rowing Team and other national teams, the Association supports and promotes the sport through athlete and coach development, event sanctioning, education and safety. The Association's support comes primarily from membership dues, contributors and various private grants.

Casitas Fund, Inc. (the "Fund") is a nonprofit organization whose purpose is to act for the exclusive benefit of the Association. The Fund holds assets in an unrestricted, board designated endowment fund, earnings from which are available to further the purpose of the Association. Shortly after the 1984 Olympic Games, the Los Angeles Olympic Organizing Committee gave the USOC 20% of its net liquid assets to divide evenly among the United States National Governing Bodies. The Fund, created in 1985 as a result of this event, received a substantial contribution, approximately \$980,000 from the USOC.

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Principles of Combination and Change in Reporting Entity**

The combined financial statements include the accounts of United States Rowing Association and Casitas Fund, Inc. (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in combination.

In the past, the Fund was not combined. Grants given by the Fund were reported by the Association as revenue in the year received. Since the Association has both an economic interest in the Fund and a majority voting interest in the Board, generally accepted accounting principles in the United States require combination of the entities. Consequently, the Fund is included in the accompanying financial statements. The effect of this change in consolidation policy was to increase the change in net assets by \$93,349 for 2012. The financial statements for 2011 have been retroactively restated for the change, which resulted in a decrease in change in net assets for 2011 of \$177,498. Net assets as of the beginning of 2011 has been adjusted for the effect of retroactive application on the new consolidation policy.

##### **Basis of Presentation**

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.



# UNITED STATES ROWING ASSOCIATION AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Basis of Presentation (Continued)**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations. Unrestricted assets include both designated and undesignated funds.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or donor-specified purposes.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash Equivalents**

Cash equivalents include highly liquid debt instruments with original maturities of 90 days or less unless they are held in the investment portfolio as endowments.

#### **Receivables**

Receivables consist of accounts and pledges receivable. Accounts receivable include unpaid grants and sponsorships under contractual agreements. Pledges receivable include unconditional promises due in the next year.

The Organization considers all receivables to be fully collectible; accordingly, no allowances for doubtful amounts are required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

#### **Inventory**

Merchandise inventory is stated at the lower of cost or market determined on a first-in, first-out basis. Inventory consists primarily of sports apparel.

#### **Fair Value Measurements**

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 - Determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 - Determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

# UNITED STATES ROWING ASSOCIATION AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fair Value Measurements (Continued)

Level 3 - Determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

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 measurements involving significant unobservable inputs (Level 3). The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

#### Investments

Investments are stated at fair value in the combined statement of financial position. Investment return includes interest, dividends and realized and unrealized gains and losses on investments. Investment return is reported in the combined statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

#### Property and Equipment

Property and equipment purchased, in excess of \$1,000 are capitalized as assets and recorded at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Office equipment	3-5 years
Rowing equipment	3-10 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

#### Deferred Revenue

Deferred revenue consists primarily of dues received from members for the upcoming membership period. They will be recognized as revenues during the next membership period.

#### Public Support and Revenue Recognition

Dues revenue is recognized ratably over the membership period.

Program service fees and event sponsorships are recognized upon completion of the respective event.

National sponsorships are recognized ratably over the sponsorship period.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

# UNITED STATES ROWING ASSOCIATION AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Public Support and Revenue Recognition (Continued)**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

#### **In-Kind Contributions**

The Organization records the value of in-kind goods and services as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and programs under the Organization's control. Revenue recognized in 2012 and 2011 of \$491,915 and \$344,276, respectively, represents an objective estimate of the fair value of goods and services provided.

National sponsors of the Organization contribute cash and in-kind goods and services to various rowing events and programs in the United States. The Organization directs sponsor support to outside programs and events, but it does not maintain control over the events and programs selected, and the support does not reduce Organization budgeted expenses. Furthermore, the Organization does not contribute funds to these outside events and programs, and the sponsor support is not passed through the Organization. For these reasons, the value of sponsorship cash and in-kind contributions for these events and programs is not reflected in the accompanying combined financial statements.

#### **Donated Services**

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the combined statement of activities, because the criteria for recognition have not been satisfied.

#### **Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended December 31, 2012 and 2011.

The Organization accounts for uncertainty in income taxes recognized in the combined financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold. The Organization's federal exempt organization returns are no longer subject to examination by the Internal Revenue Service for years prior to 2009.

#### **Subsequent Events**

Management has evaluated events for potential recognition and disclosure that occurred after December 31, 2012 but before May 24, 2013, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

# UNITED STATES ROWING ASSOCIATION AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

### C. CONCENTRATION OF RISK AND UNCERTAINTIES

The Organization derived approximately 21% of its support and revenues from the United States Olympic Committee for the years ended December 31, 2012 and 2011. The Organization also derived approximately 13% and 16% of its support and revenues from the National Rowing Foundation for the years ended December 31, 2012 and 2011, respectively.

The Organization maintains cash and investment balances which may exceed Federal and other insurance limits. It historically has not experienced any credit-related losses. The risk is managed by maintaining all deposits in high-quality financial institutions. The investments are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions and world affairs.

### D. INVESTMENTS

Restricted investments consist of money market and exchange traded funds restricted to the donor endowment fund. Investments consisting of the board designated endowment are held in pooled funds invested with the United States Olympic Foundation ("USOF") pursuant to an agreement dated May 2011. The investments held by USOF consist principally of domestic bonds and equities, international equities, hedge equity funds and limited partnerships that invest primarily in foreign and domestic common stocks and commodities. The fair value of the Organization's interest in the investments held by USOF is based on a percentage interest in USOF's fair value as represented by USOF's management. This unit of ownership and net asset value (NAV) is provided by USOF to the Organization on a monthly basis. The pool is revalued periodically and income and gains or losses are allocated to the participants based on their units. Fair values and unrealized appreciation at December 31, 2012 and 2011 are as follows:

	December 31, 2012		
	Cost	Fair Value	Unrealized Appreciation
Investments - restricted	\$ 339,833	\$ 365,350	\$ 25,517
Pooled investments held by USOF	<u>1,110,713</u>	<u>1,348,373</u>	<u>237,660</u>
	<u>\$ 1,450,546</u>	<u>\$ 1,713,723</u>	<u>\$ 263,177</u>

  

	December 31, 2011		
	Cost	Fair Value	Unrealized Appreciation
Investments - restricted	\$ 320,536	\$ 328,176	\$ 7,640
Pooled investments held by USOF	<u>1,137,829</u>	<u>1,255,024</u>	<u>117,195</u>
	<u>\$ 1,458,365</u>	<u>\$ 1,583,200</u>	<u>\$ 124,835</u>

UNITED STATES ROWING ASSOCIATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

**D. INVESTMENTS (CONTINUED)**

Investment return and its classification in the combined statement of activities is summarized as follows:

	Year Ended December 31, 2012		
	Temporarily		Total
	Unrestricted	Restricted	
Interest and dividends	\$ 17,775	\$ 8,401	\$ 26,176
Realized gains	17,435	11,320	28,755
Unrealized gains	119,471	14,453	133,924
	<u>\$ 154,681</u>	<u>\$ 34,174</u>	<u>\$ 188,855</u>

	Year Ended December 31, 2011		
	Temporarily		Total
	Unrestricted	Restricted	
Interest and dividends	\$ 13,000	\$ 7,251	\$ 20,251
Realized gains (losses)	(118,456)	(9,869)	(128,325)
Unrealized gains	623	5,437	6,060
	<u>\$ (104,833)</u>	<u>\$ 2,819</u>	<u>\$ (102,014)</u>

**E. FAIR VALUE MEASUREMENT**

Realized and unrealized gains and losses from these assets are reported in the statement of activities as they occur. There have been no changes in valuation techniques and related inputs. Fair values of assets measured on a recurring basis at December 31, 2012 and 2011 were as follows:

	December 31, 2012			Fair Value Total
	Level 1	Level 2	Level 3	
Investments - restricted				
Money market funds	\$ 13,045	\$ -	\$ -	\$ 13,045
Exchange traded funds	352,305	-	-	352,305
Pooled investments held by USOF	-	1,348,373	-	1,348,373
Total	<u>\$ 365,350</u>	<u>\$1,348,373</u>	<u>\$ -</u>	<u>\$1,713,723</u>

	December 31, 2011			Fair Value Total
	Level 1	Level 2	Level 3	
Investments - restricted				
Money market funds	\$ 11,069	\$ -	\$ -	\$ 11,069
Exchange traded funds	317,107	-	-	317,107
Pooled investments held by USOF	-	1,255,024	-	1,255,024
Total	<u>\$ 328,176</u>	<u>\$1,255,024</u>	<u>\$ -</u>	<u>\$1,583,200</u>

UNITED STATES ROWING ASSOCIATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

**E. FAIR VALUE MEASUREMENT (CONTINUED)**

The Organization has adopted Accounting Standards Update (ASU) 2009-12, which provides a practical expedient for certain investments to use NAV per share to measure fair value. Under this updated guidance, because the Organization has the ability to redeem its investment at NAV, upon delivery of written ninety day notice, the investment is considered Level 2. Further, the Organization has no unfunded commitments as of December 31, 2012 with USOF. The Organization follows the investment objectives of USOF which is the long term maximization of total return through the use of investment strategies designed to maximize the long term total return in a manner consistent with reasonable efforts to preserve the real value of capital.

**F. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	December 31,	
	2012	2011
Office equipment	\$ 251,030	\$ 269,950
Rowing equipment	384,731	435,306
Subtotal	635,761	705,256
Less accumulated depreciation	(369,250)	(416,682)
Total	<u>\$ 266,511</u>	<u>\$ 288,574</u>

**G. NET ASSETS**

**Unrestricted**

The Fund's board of stewards has chosen to place the following limitations on unrestricted net assets:

	December 31,	
	2012	2011
Designated for endowment purposes	\$ 1,348,373	\$ 1,255,024
Undesignated	195,104	203,022
Total	<u>\$ 1,543,477</u>	<u>\$ 1,458,046</u>

**Temporarily Restricted**

Temporarily restricted net assets are available for the following purpose:

	December 31,	
	2012	2011
Endowment Fund	<u>\$ 114,940</u>	<u>\$ 80,766</u>

There were no net assets released from donor restrictions for the years ended December 31, 2012 and 2011.

## UNITED STATES ROWING ASSOCIATION AND AFFILIATE

### NOTES TO COMBINED FINANCIAL STATEMENTS

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#### H. ENDOWMENT POLICY

##### *Endowment Description and Interpretation of Relevant Law*

The Organization's donor-restricted endowment consists of several individual funds established for the purpose of the US Women's Open Weight and Lightweight programs as a result of donor contributions. The Organization's board-designated endowment consists of its pooled investments held by the USOF. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts 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 the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until endowment resources are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

##### *Endowment Spending Policies*

The Organization has elected not to spend funds from the donor-restricted endowment pursuant to a 10-year investment horizon and a \$750,000 goal established by the Board of Directors. For the years ended December 31, 2012 and 2011, there were no amounts appropriated or spent on the women's programs from the donor-restricted endowment fund.

The Organization has a formal endowment spending policy relating to the board designated endowment fund, which distributes 3% to 5% of the investment value on an annual basis. For the years ended December 31, 2012 and 2011, the total amounts appropriated and spent for general operations were \$60,000 and \$71,000 respectively.

##### *Endowment Investment Policies*

The Organization has a formal written investment policy detailing its investment strategy for the donor-restricted endowment. Investments are restricted to certain types of investment vehicles including any combination of common stocks, securities convertible to common stock, preferred stocks, fixed income securities, mutual funds and cash reserves.

The Organization had a formal written investment policy detailing its investment strategy for the board-designated endowment. In May 2011, the Organization began to follow the investment policy of the USOF as part of their agreement for management of the pool. The policy is similar in strategy to the Organization's existing written policy. Investments are restricted to certain types of investment vehicles including any combination of cash and equivalents, domestic bonds, international bonds, convertible securities, domestic equities, international equities and alternative investments.

UNITED STATES ROWING ASSOCIATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

H. ENDOWMENT POLICY (CONTINUED)

*Endowment Investment Policies (Continued)*

To satisfy its long-term 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 Association targets diversified mutual funds to achieve its long-term return objectives within prudent risk constraints.

Endowment Net Assets by Type of Fund and Changes in Endowment Net Assets for the Year Ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 114,940	\$ 250,411	\$ 365,351
Board-designated funds	1,348,373	-	-	1,348,373
	<u>\$ 1,348,373</u>	<u>\$ 114,940</u>	<u>\$ 250,411</u>	<u>\$ 1,713,724</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,255,024	\$ 80,766	\$ 247,411	\$ 1,583,201
Investment return:				
Interest and dividends	16,443	8,401	-	24,844
Net appreciation (realized and unrealized)	136,906	25,773	-	162,679
Total investment return	<u>153,349</u>	<u>34,174</u>	<u>-</u>	<u>187,523</u>
Contributions	-	-	3,000	3,000
Appropriation for expenditure	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>
Endowment net assets, end of year	<u>\$ 1,348,373</u>	<u>\$ 114,940</u>	<u>\$ 250,411</u>	<u>\$ 1,713,724</u>

Endowment Net Assets by Type of Fund and Changes in Endowment Net Assets for the Year Ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 80,766	\$ 247,411	\$ 328,177
Board-designated funds	1,255,024	-	-	1,255,024
	<u>\$ 1,255,024</u>	<u>\$ 80,766</u>	<u>\$ 247,411</u>	<u>\$ 1,583,201</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,432,522	\$ 77,947	\$ 244,611	\$ 1,755,080
Investment return:				
Interest and dividends	11,335	7,251	-	18,586
Net depreciation (realized and unrealized)	(117,833)	(4,432)	-	(122,265)
Total investment return	<u>(106,498)</u>	<u>2,819</u>	<u>-</u>	<u>(103,679)</u>
Contributions	-	-	2,800	2,800
Appropriation for expenditure	<u>(71,000)</u>	<u>-</u>	<u>-</u>	<u>(71,000)</u>
Endowment net assets, end of year	<u>\$ 1,255,024</u>	<u>\$ 80,766</u>	<u>\$ 247,411</u>	<u>\$ 1,583,201</u>



# UNITED STATES ROWING ASSOCIATION AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### I. SUPPORTING ORGANIZATION

#### United States Olympic Committee ("USOC")

The USOC provides support for sport development, international competition and team preparation.

Support from the USOC consists of:

	Year Ended December 31,	
	2012	2011
Performance pool funding	\$ 1,507,200	\$ 1,300,000
Media content	100,000	102,000
In-kind travel	95,258	60,083
Total	<u>\$ 1,702,458</u>	<u>\$ 1,462,083</u>

### J. RETIREMENT PLAN

The Association has established a defined contribution retirement plan (the "Plan") for all eligible employees. The Association's annual contribution is equal to 3% of each employee's annual salary, as defined by the Plan and vests immediately. The Association will match an additional 50% of the first 4% an eligible employee defers which vests over two years. Total retirement plan expense was \$74,650 and \$65,724 for 2012 and 2011, respectively.

### K. COMMITMENTS AND CONTINGENCIES

Effective May 1, 2009, the Association entered into a four year Supply, License and Marketing Agreement (the "Agreement") with a corporation (the "Corporation"). Under the terms of the Agreement, the Association appointed the Corporation as the exclusive supplier of apparel to, and exclusive online merchandising and event partner for, the Association. During the term of the Agreement, the Association will receive apparel having an aggregate retail value of at least \$1,081,260. The agreement also entitles the Association to purchase additional apparel at 50% of the manufacturer's suggested retail price ("MSRP"). Starting in the 4th quarter of 2009, the Association earns royalty payments each quarter equal to 25% and 12.5%, respectively, of net sales of non-discounted licensed and discounted licensed Association apparel, with a minimum payment of \$100,000 per year. In addition, the Corporation created an Association store on its website. In exchange, the Corporation has the exclusive right to use the Association's trademark and will be provided with booth space at all events sponsored by the Association. The Association will provide the Corporation with signage at national team events, access to national team athletes and advertising placement in a variety of media channels. The Agreement expires October 1, 2013. For the years ended December 31, 2012 and 2011, the Association recognized \$101,125 and \$100,000, respectively, of royalties.

Effective December 21, 2009, the Association entered into a supply contract - boat sponsor agreement (the "Supply Agreement") with a boat manufacturer (the "Supplier"). For each of the years ended December 31, 2010 through 2012, the Association had the right to acquire a fleet of rowing boats at a 35% discount off of the Supplier's price list. Payment was due to the Supplier within 18 months from the date the rowing boats are shipped. The Supplier also provided the Association access to 10 additional boats to use in the European regattas. In exchange, the Supplier was recognized as the exclusive supplier of rowing boats to the Association and placement of the Supplier's logo with a link on the Association's website. The contract expired December 31, 2012.

# UNITED STATES ROWING ASSOCIATION AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### L. OPERATING LEASE COMMITMENTS

The Association has leases for office space in New Jersey, a training center in New Jersey and various office equipment through 2018. Rental expense for the leases consisted of \$225,116 and \$158,828 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under the rental space and equipment leases are as follows:

Year ending December 31,	
2013	\$ 121,199
2014	83,581
2015	76,585
2016	76,585
Thereafter	<u>150,396</u>
Total	<u>\$ 508,346</u>