



USA CYCLING DEVELOPMENT FOUNDATION

**Financial Statements
& Supplemental Schedule**

For the Year Ended December 31, 2016

TABLE OF CONTENTS

Independent Auditor's Report 1
Statement of Financial Position 3
Statement of Activities and Changes in Net Assets 4
Statement of Cash Flows 5
Notes to Financial Statements 6
Schedule of Program and Supporting Services 12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
USA Cycling Development Foundation
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Cycling Development Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to 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 Cycling Development Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited USA Cycling Development Foundation's 2015 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted to forming an opinion on the financial statements taken as a whole. The supplemental schedule of program and supporting services for the year ended December 31, 2016, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
May 11, 2017

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Financial Position
December 31, 2016
(With Comparative Amounts for 2015)

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,600,180	\$ 3,528,736
Short-term investments	1,989,308	1,946,532
Restricted investments	50,360	50,298
Accounts receivable, net	176,394	74,587
Inventory		540
Prepaid expenses	<u>4,155</u>	<u>958</u>
Total current assets	4,820,397	5,601,651
LONG-TERM INVESTMENTS	3	3
EQUIPMENT - at cost:		
Office equipment	25,604	25,604
Less accumulated depreciation	<u>(25,604)</u>	<u>(14,692)</u>
Equipment - net	<u> </u>	<u>10,912</u>
TOTAL ASSETS	<u>\$ 4,820,400</u>	<u>\$ 5,612,566</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,855	\$ 2,853
Accrued liabilities	49,316	70,040
Due to USA Cycling, Inc.	<u>140,258</u>	<u>289,648</u>
Total current liabilities	204,429	362,541
NET ASSETS:		
Unrestricted	4,408,749	4,849,644
Unrestricted - board designated	10,584	10,584
Temporarily restricted	<u>196,638</u>	<u>389,797</u>
Total net assets	<u>4,615,971</u>	<u>5,250,025</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,820,400</u>	<u>\$ 5,612,566</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
REVENUE:				
Contributions	\$ 741,186	\$ 120,788	\$ 861,974	\$ 1,064,598
Fundraising events, net of costs of \$7,689 and \$4,971	146,189		146,189	94,969
Royalties and other income	11,298		11,298	19,640
Investment income	13,152		13,152	12,914
Satisfied program restrictions	313,947	(313,947)		
Total revenue	1,225,772	(193,159)	1,032,613	1,192,121
EXPENSES:				
Program services:				
Programs and grants	1,329,191		1,329,191	1,098,188
Supporting services:				
Fundraising	222,625		222,625	147,801
Management and general	75,621		75,621	111,422
Board of directors	39,230		39,230	11,589
Total supporting services	337,476		337,476	270,812
Total expenses	1,666,667		1,666,667	1,369,000
CHANGE IN NET ASSETS	(440,895)	(193,159)	(634,054)	(176,879)
NET ASSETS, beginning of year	4,860,228	389,797	5,250,025	5,426,904
NET ASSETS, end of year	\$ 4,419,333	\$ 196,638	\$ 4,615,971	\$ 5,250,025

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Amounts for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (634,054)	\$ (176,879)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Change in allowance for doubtful accounts		(15,643)
Depreciation expense	10,912	5,456
(Increase) decrease in assets:		
Accounts receivable	(101,807)	132,908
Inventory	540	1,112
Prepaid expenses	(3,197)	3,865
Increase (decrease) in liabilities:		
Accounts payable	12,002	(35,019)
Accrued liabilities	(20,724)	57,874
Due to USA Cycling, Inc.	<u>(149,390)</u>	<u>(118,699)</u>
Total adjustments	<u>(251,664)</u>	<u>31,854</u>
Net cash used by operating activities	(885,718)	(145,025)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment		(16,368)
Change in restricted investments, net	(62)	
Change in short-term investments, net	<u>(42,776)</u>	<u>(34,356)</u>
Net cash used by investing activities	<u>(42,838)</u>	<u>(50,724)</u>
NET DECREASE IN CASH	(928,556)	(195,749)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,528,736</u>	<u>3,724,485</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,600,180</u>	<u>\$ 3,528,736</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Notes to Financial Statements
For the Year Ended December 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The USA Cycling Development Foundation was incorporated as a nonprofit corporation in the State of Colorado on November 8, 1999. The purpose of the Foundation is to provide financial support to USA Cycling, Inc.

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Foundation is not a private foundation.

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Foundation's checking and savings accounts.

The Foundation maintains its cash and cash equivalents in a commercial credit union. In the unlikely event of the institution's failure, the Foundation could suffer a loss to the extent its deposits exceed the respective institution's insurance limits.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for uncollectible accounts is considered necessary.

Inventory

Inventory at December 31, 2015, consisted of bicycles and bicycle parts, which were stated at the lower of cost (first-in, first-out method) or market. These items were used internally and were held for sale.

Equipment and Depreciation

Equipment is recorded at its original acquisition cost. Depreciation is recorded over the estimated useful lives of eighteen months to five years. Depreciation expense for the years ended December 31, 2016 and 2015, was \$10,912 and \$5,456, respectively.

Supplemental Cash Flow Information

During the years ended December 31, 2016 and 2015, the Foundation did not pay any interest or income taxes.

Income Tax

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Foundation's form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses which they benefit.

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 the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 11, 2017, the date that the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Foundation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation could access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 2,039,668	\$	\$	\$ 2,039,668
Closely held companies			3	3
	<u>\$ 2,039,668</u>	<u>\$</u>	<u>\$ 3</u>	<u>\$ 2,039,671</u>

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 1,996,830	\$	\$	\$ 1,996,830
Closely held companies			3	3
	<u>\$ 1,996,830</u>	<u>\$</u>	<u>\$ 3</u>	<u>\$ 1,996,833</u>

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) during the year ended December 31, 2016:

Beginning balance	\$	3
Investment activity		<u>0</u>
Ending balance	\$	<u><u>3</u></u>

Fair value determinations for Level 3 measurements of securities are the responsibility of management. In situations when investments do not have readily determinable fair values, the value is based on management's estimate using the information available to them. Assumptions are reviewed periodically to ensure that the estimated fair value complies with accounting standards generally accepted in the United States.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 13,530	\$ 12,951
Realized gains (losses)	<u>(378)</u>	<u>(37)</u>
	<u>\$ 13,152</u>	<u>\$ 12,914</u>

C. RESTRICTED INVESTMENTS

The Foundation's restricted investments at December 31, 2016 and 2015, consisted of \$50,360 and \$50,298 respectively in a money market account with Stifel Nicolaus. This amount is restricted for the John Stenner Collegiate Scholarship program.

D. RELATED PARTIES

USA Cycling, Inc. provided certain administrative services to the Foundation. The total cost of these services for the years ended December 31, 2016 and 2015, amounted to \$375,603 and \$221,723, respectively.

During the years ended December 31, 2016 and 2015, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$1,085,231 and \$912,663, respectively. In addition, during the year ended December 31, 2014, the Foundation committed to provide \$500,000 in funding to USA Cycling, Inc. in support of the USOC Velodrome program, with one third of this amount paid each year over a three-year period beginning in 2014. Also, during the years ended December 31, 2016 and 2015, grant funds in the amount of \$23,102 and \$16,503, respectively, were provided to USA Cycling, Inc. in support of the Edmund R. Burke Fund program.

The Foundation is not controlled by USA Cycling, Inc. and therefore consolidated financial statements are not prepared.

The Foundation has the ability to appoint four members to USA Cycling, Inc.'s Board of Directors.

At December 31, 2016 and 2015, Foundation investments totaling \$2,034,010 and \$1,991,770, respectively, are held at a brokerage firm with which a board member is affiliated.

Notes to Financial Statements

E. BOARD DESIGNATED NET ASSETS

At December 31, 2016 and 2015, the Board of Directors had designated \$10,584 of the Foundation's unrestricted net assets for Junior athlete travel scholarships.

F. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
John Stenner Collegiate Scholarships	\$ 54,391	\$ 53,941
Joshua Kuck Fund	52,309	51,254
Women's program	41,650	104,269
Edmund R. Burke Fund for Cycling Development	36,646	56,073
Junior program	6,362	12,221
Grief Collegiate Scholarship	2,500	2,500
Mountain Bike program	1,250	
Antidoping	1,000	5,000
U23 program	530	32,725
Vehicle Fund		60,000
Litman U23 and Junior Fund		10,664
Junior Cyclocross		1,000
BMX		150
	<u>\$ 196,638</u>	<u>\$ 389,797</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2016 and 2015, net assets were released from restrictions by satisfying the following purposes:

	<u>2016</u>	<u>2015</u>
Women's program	\$ 104,990	\$ 59,545
Vehicle Fund	60,000	
Junior program	38,226	
U23 program	33,195	
Centers of Excellence	25,620	291
Edmund R. Burke Fund	23,102	16,503
Littman U23 and Junior Fund	10,664	
Sprint Track	8,000	
Antidoping	5,000	
Joshua Kuck Fund	4,000	
Junior Cyclocross	1,000	
BMX	150	
	<u>\$ 313,947</u>	<u>\$ 76,339</u>

USA CYCLING DEVELOPMENT FOUNDATION
Schedule of Program and Supporting Services
For the Year Ended December 31, 2016

	Programs & Grants	Fundraising	Management & General	Board of Directors	Total
Advertising	\$	\$ 87	\$	\$	\$ 87
Apparel		11,956			11,956
Bank & credit card processing fees		4,752			4,752
Centers of Excellence	69,163				69,163
Contract services		1,290	2,609		3,899
Depreciation			10,912		10,912
Edmund R. Burke Fund	23,102				23,102
Insurance				3,715	3,715
Gifts & awards		5,938	682		6,620
Grants to USA Cycling	1,085,231				1,085,231
Joshua Kuck Fund	4,000				4,000
Legal & professional fees			7,750		7,750
Management services	143,609	162,620	47,584	21,790	375,603
Newsletter	2,560				2,560
Office expense	68	1,487	444	34	2,033
Postage	136	6,615	904	136	7,791
Printing		1,753	4,073		5,826
Telephone	102	712	102	102	1,018
Travel, food & lodging	1,220	25,415	561	13,453	40,649
	<u>\$ 1,329,191</u>	<u>\$ 222,625</u>	<u>\$ 75,621</u>	<u>\$ 39,230</u>	<u>\$ 1,666,667</u>