



USA CYCLING DEVELOPMENT FOUNDATION

**Financial Statements
& Supplemental Schedule**

For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2017, 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, 2017, 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 2016 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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, 2017, 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
April 27, 2018

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Financial Position
December 31, 2017
(With Comparative Amounts for 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 947,141	\$ 2,600,180
Short-term investments	2,656,627	1,989,308
Restricted investments	50,398	50,360
Accounts receivable, net	253,765	176,394
Prepaid expenses	<u>2,515</u>	<u>4,155</u>
Total current assets	3,910,446	4,820,397
LONG-TERM INVESTMENTS	3	3
EQUIPMENT - at cost:		
Office equipment	25,604	25,604
Less accumulated depreciation	<u>(25,604)</u>	<u>(25,604)</u>
Equipment - net	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,910,449</u>	<u>\$ 4,820,400</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$	\$ 14,855
Accrued liabilities	12,950	49,316
Due to USA Cycling, Inc.	<u>91,806</u>	<u>140,258</u>
Total current liabilities	104,756	204,429
NET ASSETS:		
Unrestricted	3,576,700	4,408,749
Unrestricted - board designated	10,584	10,584
Temporarily restricted	<u>218,409</u>	<u>196,638</u>
Total net assets	<u>3,805,693</u>	<u>4,615,971</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,910,449</u>	<u>\$ 4,820,400</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
REVENUE:				
Contributions	\$ 821,307	\$ 140,221	\$ 961,528	\$ 861,974
Fundraising events, net of costs of \$9,659 and \$7,689	140,553		140,553	146,189
Investment income, net of investment fees of \$2,953	104,945	38	104,983	13,152
Royalties and other income	4,347		4,347	11,298
Satisfied program restrictions	<u>118,488</u>	<u>(118,488)</u>		
Total revenue	1,189,640	21,771	1,211,411	1,032,613
EXPENSES:				
Program services:				
Programs and grants	1,632,491		1,632,491	1,329,191
Supporting services:				
Fundraising	285,663		285,663	222,625
Management and general	72,090		72,090	75,621
Board of directors	<u>31,445</u>		<u>31,445</u>	<u>39,230</u>
Total supporting services	<u>389,198</u>		<u>389,198</u>	<u>337,476</u>
Total expenses	<u>2,021,689</u>		<u>2,021,689</u>	<u>1,666,667</u>
CHANGE IN NET ASSETS	(832,049)	21,771	(810,278)	(634,054)
NET ASSETS, beginning of year	<u>4,419,333</u>	<u>196,638</u>	<u>4,615,971</u>	<u>5,250,025</u>
NET ASSETS, end of year	<u>\$ 3,587,284</u>	<u>\$ 218,409</u>	<u>\$ 3,805,693</u>	<u>\$ 4,615,971</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Amounts for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (810,278)	\$ (634,054)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments	(66,257)	378
Change in allowance for doubtful accounts		
Depreciation expense		10,912
(Increase) decrease in assets:		
Accounts receivable	(77,371)	(101,807)
Inventory		540
Prepaid expenses	1,640	(3,197)
Increase (decrease) in liabilities:		
Accounts payable	(14,855)	12,002
Accrued liabilities	(36,366)	(20,724)
Due to USA Cycling, Inc.	<u>(48,452)</u>	<u>(149,390)</u>
Total adjustments	<u>(241,661)</u>	<u>(251,286)</u>
Net cash used by operating activities	(1,051,939)	(885,340)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in restricted investments, net	(38)	(62)
Gross proceeds from short-term investments	1,792,641	74,055
Purchase of short-term investments	<u>(2,393,703)</u>	<u>(117,209)</u>
Net cash used by investing activities	<u>(601,100)</u>	<u>(43,216)</u>
NET DECREASE IN CASH	(1,653,039)	(928,556)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,600,180</u>	<u>3,528,736</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 947,141</u>	<u>\$ 2,600,180</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Notes to Financial Statements
For the Year Ended December 31, 2017

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.

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, 2016, 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.

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, 2017 and 2016, was \$0 and \$10,912, respectively.

Supplemental Cash Flow Information

During the years ended December 31, 2017 and 2016, 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 is not a private foundation.

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.

Functional Allocation of Expenses

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 April 27, 2018, 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.

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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds/ETFs:				
Domestic equity	\$ 1,405,425	\$	\$	\$ 1,405,425
Fixed income	1,079,125			1,079,125
Money market	118,003			118,003
Stocks	104,472			104,472
Closely held companies			3	3
	<u>\$ 2,707,025</u>	<u>\$</u>	<u>\$ 3</u>	<u>\$ 2,707,028</u>

Assets at Fair Value as of December 31, 2016

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>

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, 2017:

Beginning balance	\$	3
Investment activity		<u>0</u>
Ending balance	\$	<u>3</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrealized gains	\$ 66,342	\$
Realized losses	(85)	(378)
Interest and dividends	41,679	13,530
Investment fees	<u>(2,953)</u>	<u></u>
	<u>\$ 104,983</u>	<u>\$ 13,152</u>

C. RESTRICTED INVESTMENTS

The Foundation's restricted investments at December 31, 2017 and 2016, consisted of \$50,398 and \$50,360 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, 2017 and 2016, amounted to \$450,373 and \$375,603, respectively.

During the years ended December 31, 2017 and 2016, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$1,398,684 and \$1,085,231, 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, 2017 and 2016, grant funds in the amount of \$7,240 and \$23,102, respectively, were provided to USA Cycling, Inc. in support of the High Performance Grant Fund.

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, 2017 and 2016, Foundation investments totaling \$2,700,140 and \$2,034,010, 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, 2017 and 2016, 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>2017</u>	<u>2016</u>
Joshua Kuck Fund	\$ 54,544	52,309
John Stenner Collegiate Scholarships	54,439	54,391
Women's program	43,555	41,650
High performance grant fund	33,679	36,646
Junior program	12,535	6,362
Steve Tilford Fund	11,667	
Grief Collegiate Scholarship	2,510	2,500
Mountain Bike program	2,500	1,250
Sprint Track	2,000	
Antidoping		1,000
U23 program	530	530
Wyatt Weisel Fund	<u>450</u>	
	<u>\$ 218,409</u>	<u>\$ 196,638</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2017 and 2016, net assets were released from restrictions by satisfying the following purposes:

	<u>2017</u>	<u>2016</u>
Women's program	\$ 52,500	\$ 104,990
Centers of Excellence	25,010	25,620
USOC matching program	15,738	
Junior program	12,500	38,226
High performance grant fund	8,740	23,102
Joshua Kuck Fund	3,000	4,000
Antidoping	1,000	5,000
Vehicle Fund		60,000
U23 program		33,195
Littman U23 and Junior Fund		10,664
Sprint Track		8,000
Junior Cyclocross		1,000
BMX		<u>150</u>
	<u>\$ 118,488</u>	<u>\$ 313,947</u>

USA CYCLING DEVELOPMENT FOUNDATION
Schedule of Program and Supporting Services
For the Year Ended December 31, 2017

	Programs & Grants	Fundraising	Management & General	Board of Directors	Total
Apparel	\$	\$ 7,045	\$	\$	\$ 7,045
Bank & credit card processing fees		5,432			5,432
Centers of Excellence	73,520				73,520
Contract services		7,594	2,718		10,312
High Performance grant fund	8,740				8,740
Insurance				3,930	3,930
Gifts & awards		3,053			3,053
Grants to USA Cycling	1,398,684				1,398,684
Joshua Kuck Fund	3,000				3,000
Legal & professional fees			7,116		7,116
Management services	146,556	222,300	55,711	25,806	450,373
Newsletter	243				243
Office expense	78	1,083	518	39	1,718
Postage	132	2,640	528	132	3,432
Printing		40	838		878
Telephone	240	1,679	240	240	2,399
Travel, food & lodging	1,298	34,797	4,421	1,298	41,814
	<u>\$ 1,632,491</u>	<u>\$ 285,663</u>	<u>\$ 72,090</u>	<u>\$ 31,445</u>	<u>\$ 2,021,689</u>