



USA CYCLING DEVELOPMENT FOUNDATION

Financial Statements

For the Year Ended December 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2018, and the related statements of activities and changes in net assets, functional expenses, 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, 2018, 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 2017 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated April 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note A to the financial statements, in 2018, USA Cycling Development Foundation adopted Accounting Standards Update (ASU) 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.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
May 13, 2019

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Financial Position
December 31, 2018
(With Comparative Amounts for 2017)

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:			
Cash and cash equivalents		\$ 441,082	\$ 947,141
Short-term investments		2,600,556	2,656,627
Restricted investments		50,640	50,398
Accounts receivable		387,448	253,765
Prepaid expenses		<u>2,117</u>	<u>2,515</u>
Total current assets		3,481,843	3,910,446
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>\$ 3,481,846</u>	<u>\$ 3,910,449</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
CURRENT LIABILITIES:			
Accounts payable		\$ 859	\$ 12,950
Accrued liabilities		8,038	12,950
Due to USA Cycling, Inc.		<u>196,623</u>	<u>91,806</u>
Total current liabilities		205,520	104,756
NET ASSETS:			
Without donor restrictions		2,893,823	3,576,700
Without donor restrictions - board designated		10,584	10,584
With donor restrictions		<u>371,919</u>	<u>218,409</u>
Total net assets		<u>3,276,326</u>	<u>3,805,693</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,481,846</u>	<u>\$ 3,910,449</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Totals	2017 Totals
REVENUE:				
Contributions	\$ 1,025,057	\$ 496,701	\$ 1,521,758	\$ 961,528
Fundraising events, net of costs of \$11,623 and \$9,659	109,140		109,140	140,553
Royalties and other income	9,685		9,685	4,347
Investment income (loss), net of investment fees of \$9,979 and \$2,953	(114,569)	242	(114,327)	104,983
Satisfied program restrictions	343,433	(343,433)		
Total revenue	1,372,746	153,510	1,526,256	1,211,411
EXPENSES:				
Program services:				
Programs and grants	1,632,346		1,632,346	1,632,491
Supporting services:				
Fundraising	285,901		285,901	285,663
Management and general	99,829		99,829	72,090
Board of directors	37,547		37,547	31,445
Total supporting services	423,277		423,277	389,198
Total expenses	2,055,623		2,055,623	2,021,689
CHANGE IN NET ASSETS	(682,877)	153,510	(529,367)	(810,278)
NET ASSETS, beginning of year	3,587,284	218,409	3,805,693	4,615,971
NET ASSETS, end of year	\$ 2,904,407	\$ 371,919	\$ 3,276,326	\$ 3,805,693

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Amounts for 2017)

	Programs & Grants	Fundraising	Management & General	Board of Directors	2018 Total	2017 Total
Apparel & equipment	\$	\$ 6,380	\$	\$	\$ 6,380	\$ 7,045
Bank & credit card processing fees		2,213			2,213	5,432
Centers of Excellence	113,823				113,823	73,520
Contract services & fees		5,220	3,785		9,005	10,312
Event costs		11,623			11,623	9,659
High Performance grant fund	24,798				24,798	8,740
Insurance				3,923	3,923	3,930
Gifts & awards		9,323			9,323	3,053
Grants to USA Cycling	1,338,752				1,338,752	1,398,684
John Stenner collegiate grants	3,878				3,878	
Joshua Kuck Fund	4,000				4,000	3,000
Legal & professional fees			3,643		3,643	7,116
Management services	143,599	210,320	85,855	25,201	464,975	450,373
Newsletter	1,430				1,430	243
Office expense	204	825	1,331	102	2,462	1,718
Postage	289	5,876	1,155	289	7,609	3,432
Printing		1,662	688		2,350	878
Telephone	130	907	130	130	1,297	2,399
Travel, food & lodging	1,443	43,175	3,242	7,902	55,762	41,814
Total expenses	1,632,346	297,524	99,829	37,547	2,067,246	2,031,348
Less expenses shown net of revenue on statement of activities		(11,623)			(11,623)	(9,659)
Expenses on statement of activities	\$ 1,632,346	\$ 285,901	\$ 99,829	\$ 37,547	\$ 2,055,623	\$ 2,021,689

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Amounts for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (529,367)	\$ (810,278)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments	196,136	(66,257)
(Increase) decrease in assets:		
Accounts receivable	(133,683)	(77,371)
Prepaid expenses	398	1,640
Increase (decrease) in liabilities:		
Accounts payable	859	(14,855)
Accrued liabilities	(4,912)	(36,366)
Due to USA Cycling, Inc.	<u>104,817</u>	<u>(48,452)</u>
Total adjustments	<u>163,615</u>	<u>(241,661)</u>
Net cash used by operating activities	(365,752)	(1,051,939)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in restricted investments, net	(242)	(38)
Gross proceeds from short-term investments	143,742	1,792,641
Purchase of short-term investments	<u>(283,807)</u>	<u>(2,393,703)</u>
Net cash used by investing activities	<u>(140,307)</u>	<u>(601,100)</u>
NET DECREASE IN CASH	(506,059)	(1,653,039)
CASH AND CASH EQUIVALENTS, beginning of year	<u>947,141</u>	<u>2,600,180</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 441,082</u>	<u>\$ 947,141</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION
Notes to Financial Statements
For the Year Ended December 31, 2018

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.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 3,576,700	\$
Unrestricted - board designated	10,584	
Temporarily restricted net assets	218,409	
Net assets without donor restrictions		3,576,700
Net assets without donor restrictions - board designated		10,584
Net assets with donor restrictions		218,409
Total net assets	<u>\$ 3,805,693</u>	<u>\$ 3,805,693</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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, 2017, 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, net assets with donor restrictions are reclassified to net assets without

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions - continued

donor restrictions 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.

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, 2018 and 2017, was \$0 each year.

Supplemental Cash Flow Information

During the years ended December 31, 2018 and 2017, 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - continued

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services made by the Foundation's management.

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 13, 2019, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation strives to maintain liquid financial assets sufficient to cover approximately two months of operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other investments.

The table below reflects the Foundation's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal Board designations.

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

Amounts not available include a Board-designated special projects fund that is intended to fund special Board initiatives not considered in the annual operating budget. In the event the need arises to utilize the Board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution. Other amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

	<u>2018</u>	<u>2017</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 441,082	\$ 947,141
Accounts receivable	387,448	253,765
Short-term investments	2,600,556	2,656,627
Restricted investments	50,640	50,398
Long-term investments	<u>3</u>	<u>3</u>
Total financial assets	3,479,729	3,907,934
Less amounts not available to be used within one year:		
Board designated - John R. Stenner scholarship fund	(10,584)	(10,584)
Less assets with donor restrictions (Note G)	<u>(371,919)</u>	<u>(218,409)</u>
Financial assets available within one year	<u>\$ 3,097,226</u>	<u>\$ 3,678,941</u>

C. 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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

- 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. Transfers between levels are reported at the end of the period.

Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds/ETFs:				
Domestic equity	\$ 1,161,204	\$	\$	\$ 1,161,204
Fixed income	1,090,085			1,090,085
Stocks	274,408			274,408
Money market	125,499			125,499
Closely held companies			<u>3</u>	<u>3</u>
	<u>\$ 2,651,196</u>	<u>\$</u>	<u>\$ 3</u>	<u>\$ 2,651,199</u>

Assets at Fair Value as of December 31, 2017

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			<u>3</u>	<u>3</u>
	<u>\$ 2,707,025</u>	<u>\$</u>	<u>\$ 3</u>	<u>\$ 2,707,028</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, 2018:

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

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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. Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unrealized gains (losses)	\$ (207,145)	\$ 66,342
Realized gains (losses)	11,009	(85)
Interest and dividends	91,788	41,679
Investment fees	<u>(9,979)</u>	<u>(2,953)</u>
	<u>\$ (114,327)</u>	<u>\$ 104,983</u>

D. RESTRICTED INVESTMENTS

The Foundation's restricted investments at December 31, 2018 and 2017, consisted of \$50,640 and \$50,398 respectively in a money market account with Stifel Nicolaus. This amount is restricted for the John Stenner Collegiate Scholarship program.

E. RELATED PARTIES

USA Cycling, Inc. provided certain administrative services to the Foundation. The total cost of these services for the years ended December 31, 2018 and 2017, amounted to \$424,975 and \$450,373, respectively.

During the years ended December 31, 2018 and 2017, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$1,338,752 and \$1,398,684, respectively. Also, during the years ended December 31, 2018 and 2017, grant funds in the amount of \$24,798 and \$7,240, respectively, were provided to USA Cycling, Inc. in support of the High Performance Grant Fund. USA Cycling, Inc. also provides administrative services and office space to the Foundation at no cost. During the year ended December 31, 2018, \$40,000 was recorded as in-kind services by the Foundation.

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, 2018 and 2017, Foundation investments totaling \$2,644,622 and \$2,700,140, respectively, are held at a brokerage firm with which a Board Member is affiliated.

Notes to Financial Statements

F. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED NET ASSETS

At December 31, 2018 and 2017, the Board of Directors had designated \$10,584 of the Foundation's net assets without donor restrictions for Junior athlete travel scholarships.

G. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

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

	<u>2018</u>	<u>2017</u>
High performance grant fund	\$ 136,380	\$ 33,679
Joshua Kuck Fund	55,644	54,544
John Stenner Collegiate Scholarships	50,903	54,439
Women's program	46,361	43,555
Cyclocross	45,000	
Steve Tilford Fund	15,946	11,667
Junior program	13,285	12,535
Grief Collegiate Scholarship	2,510	2,510
Mountain Bike program	2,500	2,500
Sprint Track	2,000	2,000
U23 program	1,390	530
Wyatt Weisel Fund		450
	<u>\$ 371,919</u>	<u>\$ 218,409</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2018 and 2017, net assets were released from restrictions by satisfying the following purposes:

	<u>2018</u>	<u>2017</u>
Track development program	\$ 82,000	\$
Centers of Excellence	80,007	25,010
Women's program	65,000	52,500
USOC matching program	50,000	15,738
High performance grant fund	24,348	8,740
Mountain Bike program	18,750	
Cyclocross	15,000	
Joshua Kuck Fund	4,000	3,000
John Stenner Collegiate Scholarships	3,878	
Wyatt Weisel Fund	450	
Junior program		12,500
Antidoping		1,000
	<u>\$ 343,433</u>	<u>\$ 118,488</u>