Consolidated Financial Statements

For the Year Ended December 31, 2020



TABLE OF CONTENTS

Independent Auditor's Report	•	•	•	•	•	•	•	•	•	1
Consolidated Statement of Financial Position	•	•	•	•	•	•	•	•	•	3
Consolidated Statement of Activities and Changes in Net Assets	•	•	•		•	•	•		•	4
Consolidated Statement of Functional Expense	s.	•	•	•	•	•	•	•	•	5
Consolidated Statement of Cash Flows	•	•	•	•	•	•	•	•	•	6
Notes to the Consolidated Financial Statemen	ts									7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors USA Cycling, Inc. USA Cycling BV Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of USA Cycling, Inc. (a nonprofit corporation) and USA Cycling BV (subsidiary), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Cycling, Inc. and subsidiary as of December 31, 2020, and the changes in their net assets and their 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, Inc. and subsidiary's 2019 consolidated financial statements, and our report dated October 18, 2021, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Emphasis of Matter

As described in Note A to the consolidated financial statements, in 2020, USA Cycling, Inc. and USA Cycling BV adopted Accounting Standards Update (ASU) 2014-09, (Topic 606): Revenue from Contracts with Customers. Our opinion is not modified with respect to these matters.

Waugh & Goodwin, LLP

Colorado Springs, Colorado October 18, 2021

Consolidated Statement of Financial Position December 31, 2020

(With Comparative Amounts for 2019)

ASSETS

<u> A55E15</u>			
		<u>2020</u>	<u> 2019</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$	•	\$ 2,837,529
Short-term investments		7,501,339	7,730,364
Accounts receivable, net		416,123	112,457
Due from USACDF		70,062	241,046
Due from USOPC		693	17,896
Inventory		109,222	380,198
Prepaid expenses		200,955	321,738
Total current assets		10,734,099	11,641,228
PROPERTY AND EQUIPMENT - at cost:			
Building and improvements		7,027,205	7,027,205
Land		649,145	649,145
Office furniture and equipment		1,855,688	1,226,873
Training equipment		296,890	150,734
Vehicles		476,439	492,653
		355,986	140,613
Leasehold improvements		355,966	
Software development in process		(4 000 741)	669,971
Less accumulated depreciation		(4,283,741)	(3,855,601)
Property and equipment - net	_	6,377,612	6,501,593
TOTAL ASSETS	\$	17,111,711	\$ 18,142,821
LIABILITIES AND NET	ASSET	S	
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CURRENT LIABILITIES:			
Accounts payable	\$	229,860	\$ 723,834
Accrued liabilities		1,148,961	1,710,889
Insurance litigation reserves		1,710,915	1,397,576
Current portion of deferred revenue		2,578,829	2,973,696
Refundable advance		4,071	7,439
Current portion of notes payable			
Total current liabilities		5,672,636	6,813,434
LONG TERM LIABILITIES:			
Deferred revenue		5,575	9,240
TOTAL LIABILITIES		5,678,211	6,822,674
NET ASSETS:			
Without donor restrictions		11,397,137	11,283,915
Without donor restrictions - board designate	ed	10,583	10,583
With donor restrictions		25,780	25,649
Total net assets		11,433,500	11,320,147
TOTAL LIABILITIES AND NET ASSETS	Ś	17,111,711	\$ 18,142,821
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Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
REVENUE:				
Membership dues and fees	\$ 4,087,962	\$	\$ 4,087,962	\$ 5,901,009
USOPC grants		2,049,748	2,049,748	2,282,736
USA Cycling Development				
Foundation grants and				
management fees, net of				
expenses of \$360,340 and				
\$361,908	1,232,281	337,609	1,569,890	1,590,306
Government COVID grants	1,222,227	16,000	1,238,227	
Investment income (loss),				
net of fees of \$24,308				
and \$31,591	775,022	42	775,064	1,443,521
Sanction and registration fees	704,782		704,782	2,885,874
Sponsorship, licensing and				
affinity royalties	459,234		459,234	756,453
Other income, net of expenses				
of \$66,166 and \$0	260,525		260,525	253,717
Contributions	172,369	27,538	199,907	291,206
Merchandise sales, net of				
costs of sales of \$62,429				
and \$253,555	23,980		23,980	(29,475)
Events	15,594		15,594	1,369,544
Net assets released				
from restrictions	2,430,806	(2,430,806)		
Total revenue	11,384,782	131	11,384,913	16,744,891
EXPENSES:				
Program services:				
Membership and sanctioning	6,700,536		6,700,536	7,591,145
Coaches, training center				
and athletes	2,821,621		2,821,621	5,766,217
National and international				
events	464,419		464,419	1,869,753
Total program services	9,986,576		9,986,576	15,227,115
Supporting services:				
National office	879,274		879,274	1,128,926
Fundraising	310,829		310,829	537,144
Governance	94,881		94,881	175,283
Total supporting services	1,284,984		1,284,984	1,841,353
Total expenses	11,271,560		11,271,560	17,068,468
CHANGE IN NET ASSETS	113,222	131	113,353	(323,577)
NET ASSETS, beginning of year	11,294,498	25,649	11,320,147	11,643,724
NET ASSETS, end of year	\$11,407,720	\$ 25,780	\$ 11,433,500	\$11,320,147

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2020

(With Comparative Totals for 2019)

	Membership & Sanctioning	Coaches, Training Center & Athletes	National & International Events	Merchandise Sales	Total Program Services	National Office	Fundraising
Advertising & promotion	\$ 41,973	\$ 238	\$ 165	\$	\$ 42,376	\$ 804	\$ 147
Airfare	18,618	207,384	5,423	887	232,312	3,643	3,570
Bad debts, net of recoveries	(57				(57)	(4,820)	
Bank & credit card processing fees	73,069	7,465	6		80,540	132	2
Contract labor & fees	1,333,302	344,290	34,959	6,635	1,719,186	20,168	54,580
Cost of sales				30,899	30,899		25,000
Depreciation	359,327	122,458	37,995	1,053	520,833	73,169	5,476
Dues, subscriptions & fees	10,017	16,621	3,927		30,565	23,109	1,333
Employee benefits	345,890	281,195	51,742	10,212	689,039	135,892	36,087
Food & housing	19,924	283,538	6,050	332	309,844	4,144	2,514
Foreign exchange loss (gain)		(2,587)			(2,587)		
Gear, equipment, clothing & supplies	10,110	297,713	12,815	254	320,892	2,149	2,283
Gifts & grants	61,872	7,331	593		69,796	2,176	528
Ground transportation	10,582	43,475	2,563	308	56,928	648	1,178
Insurance	2,305,344	35,429	10,836		2,351,609	49,197	227
Local rebates & promoter incentives	162,832				162,832		
Medals, awards & prizes	4,079	9,396	12,471		25,946		
Office expense & supplies	1,946	1,488	212	8	3,654	1,199	317
Payroll taxes	112,929	67,902	17,412	729	198,972	32,453	15,135
Photography, video & artwork	98	1,160			1,258		
Postage & fulfillment	121,339	7,897	3,098	391	132,725	1,878	525
Printing & publications	13,449	1,250	674		15,373	617	
Professional fees	948	1,554	24		2,526	75,703	21
Race entry fees		9,181			9,181		
Rental expense	1,907	103,049	9,940	224	115,120	704	89
Repairs & maintenance	17,499	14,928	7,490	198	40,115	11,074	914
Salaries	1,624,561	944,823	242,995	10,152	2,822,531	475,611	184,592
Small equipment	9,512	661	248	18	10,439	1,207	79
Taxes	39	11,319	6		11,364	24	2
Telephone & broadband	28,065	8,195	946		37,206	2,551	637
Utilities	11,362	7,923	1,829	129	21,243	7,008	593
VAT		(13,655)			(13,655)		
Total expenses	6,700,536	2,821,621	464,419	62,429	10,049,005	920,440	335,829
Less expenses shown net of revenue on statement of activities				(62,429)	(62,429)	(41,166)	(25,000)
Expenses on statement of activities	\$ 6,700,536	\$ 2,821,621	\$ 464,419	ė	\$ 9,986,576	\$ 879,274	\$ 310,829
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	Governance	USA Cycling Development Foundation	Total Supporting Services	2019 Total Supporting Services	2020 Total Expenses	2019 Total Expenses
Advertising & promotion	\$	\$	\$ 951	\$ 1,575	\$ 43,327	\$ 36,206
Airfare	353	,	7,566	62,841	239,878	997,991
Bad debts, net of recoveries			(4,820)	2,544	(4,877)	8,762
Bank & credit card processing fees			134	277	80,674	189,305
Contract labor & fees	2,194		76,942	217,491	1,796,128	3,328,106
Cost of sales	•		25,000	·	55,899	148,528
Depreciation	1,685		80,330	42,809	601,163	413,404
Dues, subscriptions & fees	7,255		31,697	53,546	62,262	131,013
Employee benefits	8,858	71,181	252,018	228,610	941,057	1,064,087
Food & housing	2,652	,	9,310	75,312	319,154	1,192,379
Foreign exchange loss (gain)	,			,	(2,587)	576
Gear, equipment, clothing & supplies	265		4.697	9,659	325,589	537,027
Gifts & grants	2.156		4,860	3,366	74,656	63,595
Ground transportation	2,216		4.042	21,923	60,970	337,359
Insurance	•		49,424	51,128	2,401,033	2,258,538
Local rebates & promoter incentives			•	·	162,832	406,922
Medals, awards & prizes					25,946	119,636
Office expense & supplies	155		1,671	4,187	5,325	35,181
Payroll taxes	4,132	19,393	71,113	77,868	270,085	369,156
Photography, video & artwork	,		,	919	1,258	8,573
Postage & fulfillment	792		3,195	6,315	135,920	301,699
Printing & publications	32		649	11,718	16,022	103,291
Professional fees			75,724	111,689	78,250	112,185
Race entry fees			•	,	9,181	24,123
Rental expense	75		868	717	115,988	175,548
Repairs & maintenance			11,988	12,513	52,103	131,481
Salaries	61.018	269,766	990,987	1,089,648	3,813,518	4,972,216
Small equipment	22	,	1,308	716	11,747	39,980
Taxes	1		27	103,473	11,391	115,603
Telephone & broadband	839		4,027	5,657	41,233	44,203
Utilities	181		7,782	6,760	29,025	42,136
VAT					(13,655)	(24,878)
Total expenses	94,881	360,340	1,711,490	2,203,261	11,760,495	17,683,931
Less expenses shown net of revenue on statement of activities		(360,340)	(426,506)	(361,908)	(488,935)	(615,463)
Expenses on statement						
of activities	\$ 94,881	\$	\$ 1,284,984	\$ 1,841,353	\$ 11,271,560	<u>\$ 17,068,468</u>

Consolidated Statement of Cash Flows For the Year Ended December 31, 2020 (With Comparative Amounts for 2019)

GLOVE FLOWS TROW ODERATIVE ACTIVITIES		2020		<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES: Change in net assets Adjustments to reconcile change in net assets to net cash used by operating activities:	\$	113,353	\$	(323,577)
Depreciation		601,163		413,404
Gain on disposal of property and equipment		(1,500)		(7,889)
Change in allowance for doubtful accounts Net unrealized and realized (gains) losses		(19,709)		5,691
on investments (Increase) decrease in assets:		(592,820)		(1,173,473)
Accounts receivable		(283,957)		179,254
Due from USACDF		170,984		(44,423)
Due from USOC		17,203		(6,663)
Inventory		270,976		41,660
Prepaid expenses		120,783		(1,444)
Increase (decrease) in liabilities:		,		(-,,
Accounts payable and accrued liabilities	((1,055,902)		271,827
Insurance litigation reserves		313,339		211,039
Deferred revenue		(398,532)		86,877
Refundable advance		(3,368)		(42,561)
Total adjustments		(861,340)		(66,701)
Net cash used by operating activities		(747,987)		(390,278)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments		2,371,753		2,441,433
Purchases of investments	((1,549,908)		(696,082)
Proceeds from sale of property and equipment		1,500		7,889
Acquisition of property and equipment		(477,182)	_	(825,801)
Net cash provided by investing activities		346,163		927,439
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on notes payable				(2,191)
Net cash used by financing activities				(2,191)
NET INCREASE (DECREASE) IN CASH		(401,824)		534,970
CASH AND CASH EQUIVALENTS,				
beginning of year		2,837,529		2,302,559
CASH AND CASH EQUIVALENTS, end of year	ė	2,435,705	ė	2,837,529
end of Aegt	<u>ə</u>	4,433,703	\$	4,031,349

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Cycling, Inc. (the Corporation) is the national governing body for cycling, making it responsible for the conduct and administration of amateur and professional cycling in the United States. The mission of the Corporation is to achieve sustained success in international cycling competition and to grow competitive cycling in America.

During the year ended December 31, 2013, the Corporation established an international wholly owned for-profit subsidiary, USA Cycling BV (Subsidiary), to support ongoing program activities of the Corporation in Europe. The Subsidiary's financial statements have been consolidated with the Corporation.

Foreign Currency Translation

The Corporation's wholly owned for-profit subsidiary is in the Netherlands. The functional currency is the U.S. dollar. All statement of financial position accounts are translated, where applicable, using the exchange rate in effect at the statement of financial position dates. Foreign currency translation adjustments resulted in gains and (losses) of \$2,590 and \$(576) during the years ended December 31, 2020 and 2019, respectively, and are included in program services in the consolidated statement of activities and reported separately on the consolidated statement of functional expenses.

Accounting Standards Update

On January 1, 2020, the Corporation and Subsidiary adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The new revenue recognition standard affects all entities, including public, private, and not for profit entities that have contracts with customers. The ASU supersedes or replaces nearly all accounting principles generally accepted in the United States of America (U.S. GAAP). The ASU is intended to improve GAAP by providing a framework and a single, comprehensive revenue recognition model to address revenue recognition issues, creating more

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

consistency and comparability of revenue recognition practices across entities and industries and improving the usefulness of information provided to financial statement users through more robust disclosure requirements.

<u>Prior-Year Comparisons</u>

The consolidated financial statements include certain prioryear summarized comparative information in total but not by net asset class or functional expense classification. information does not include sufficient detail to constitute a in conformity presentation with accounting principles United States of generally accepted in the Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Contributions

Contributions are recorded when received as without donor restrictions, with donor restrictions - temporary, or with donor restrictions - perpetual depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions include United States Olympic and Paralympic Committee (USOPC) grants.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Corporation's checking, savings, and money market accounts.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Supplemental Cash Flow Information

During the years ended December 31, 2020 and 2019, the Corporation did not pay any interest. During the years ended December 31, 2020 and 2019, the Corporation paid income taxes of \$1,854 and \$2,000, respectively.

Accounts Receivable

The Corporation's and Subsidiary's accounts receivable are recorded at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances. Outstanding receivables are recorded net of an allowance for doubtful accounts of \$22,801 and \$42,510 at December 31, 2020 and 2019, respectively.

Gross amount of accounts receivable from contracts with customers was \$39,110 and \$43,558 as of the beginning and end of the year December 31, 2020, respectively.

Inventory

Inventory consists primarily of competitive clothing, bicycles, and bicycle parts, which are stated at the lower of cost (first-in, first-out method) or net realizable value. These items are used internally as well as held for sale. Some inventory items are non-cash contributions which are budget relieving in nature. The Corporation's policy is to record as revenue, value-in-kind merchandise received that is budget relieving and to expense these items as they are used.

Property and Equipment

Property and equipment with estimated useful lives over one year are recorded at cost or at fair value, if donated, at the date of acquisition. The Corporation's capitalization policy states that property and equipment with an initial cost of \$1,500 or more will be capitalized. Cost of repairs and maintenance, which do not materially prolong the useful lives of the assets, are charged to expense when incurred.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment - continued

Depreciation is recorded using the straight-line method over estimated useful lives as follows:

Software	1.5-3 years
Office furniture and equipment,	
training equipment, and vehicles	3-10 years
Building and improvements	4-39 years

Depreciation expense for the years ended December 31, 2020 and 2019, amounted to \$601,163 and \$413,404, respectively.

Revenue from Contracts with Customers

<u>Membership Dues Revenue</u> - Revenue from contracts with members for dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which generally is ratably over the membership term. Membership dues are nonrefundable.

Fees, Sales and Other Income - The Corporation receives revenue from fees and sales related to programs, services, and merchandise for the sport. These activities include competitions, athlete programs, national teams, sport development, sanctioning, education, merchandise sales, and other similar activities. Revenue is recognized at the time the performance obligations are met which is when services are provided, or goods provided or delivered to the customer.

Sponsorship, Licensing, and Royalties - The Corporation recognizes revenue from contracts with both sponsors and Performance obligations in such contracts are satisfied as services are rendered, and therefore, Corporation will recognize revenue over time. Sponsorship revenue related to specific events is recognized at the time of the performance obligations are met which is generally when the event occurs. For sponsorship not related to a specific event, the Corporation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the Licensing and royalty revenue related agreement. merchandise sales are recognized at the time of the related merchandise sale. For any fixed or guaranteed licensing or royalty amount the Corporation has concluded that the

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Sponsorship, Licensing, and Royalties - continued

performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the agreement.

Income Taxes

The Corporation 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 for income related to its exempt purpose. Accordingly, no income tax provision has been recorded.

The Corporation'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 filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

The Subsidiary is required to file income tax returns and pay the appropriate tax to the Netherlands.

Use of Estimates

The preparation of consolidated 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.

Functional Allocation of Expenses

consolidated financial statements report categories of expenses that are attributable to one or more programs orsupporting services of the Corporation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of time and effort spent by personnel in the various program and supporting services made by the Corporation's management. Depreciation expense is allocated based upon respective assets that benefit each program or supporting service.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

In preparing the consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Corporation 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 short-term investments. In the normal course of business, 5% of the three-year average of portfolio assets are incorporated in the annual budget. Portfolio capital assets are also available for extraordinary expenditures and for strategic initiatives.

The table below reflects the Corporation's financial assets as of December 31, 2020 and 2019, 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 of Directors designations. Amounts not available include a Boarddesignated 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. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents Short-term investments Accounts receivable, net Due from USACDF	\$ 2,435,705 7,501,339 416,123 70,062	\$ 2,837,529 7,730,364 112,457 241,046
Due from USOPC	693	17,896
Total liquid financial assets	10,423,922	10,939,292

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

Less amounts not available to
be used within one year:
Board designated - John R.
Stenner scholarship fund (10,583) (10,583)
Assets with donor
restrictions (Note H) (25,780) (25,649)

Financial assets available
within one year \$10,387,559 \$10,903,060

C. FAIR VALUE MEASUREMENTS

The Corporation 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 Corporation has the ability to 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.

C. FAIR VALUE MEASUREMENTS - Continued

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

<u>Assets at</u>	Fair Value as of	f December 31,	2020			
	Level 1	Level 2	Level 3	Total		
Equity securities: Mutual funds and ETFs Stocks Debt securities:	\$ 3,639,725 \$ 985,407	\$	\$	\$3,639,725 985,407		
Mutual funds Cash and cash equivalents	2,796,825 79,382			2,796,825 79,382		
Total	<u>\$ 7,501,339</u> <u>\$</u>	5	\$	\$7,501,339		
Assets at Fair Value as of December 31, 2019 Level 1 Level 2 Level 3 Total						
Equity securities: Mutual funds and ETFs Stocks Publicly traded partnership Debt securities: Mutual funds Cash and cash equivalents	\$ 3,728,611 \$ 941,697 5,594 3,032,775 21,687	; 	\$	\$3,728,611 941,697 5,594 3,032,775 21,687		
Total	\$ 7,730,364 \$	\$	\$	\$7,730,364		

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2020 and 2019:

<u>2020</u>		<u> 2019</u>
\$ 469,792	\$	796,092
123,028		377,381
206,552		301,639
 (24,308)		(31,591)
\$ 775,064	\$	1,443,521
\$ \$	\$ 469,792 123,028 206,552 (24,308)	\$ 469,792 \$ 123,028 206,552 (24,308)

D. DEFERRED REVENUE

Deferred revenue is a contract liability from contracts with customers. Deferred revenue consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Club, membership and permit fees Marketing royalties and sponsorship Bid fees Race clean fees Other	\$ 2,128,319 348,839 65,758 35,600 5,888	\$ 2,836,378 129,179 1,700 14,945 734
	\$ 2,584,404	\$ 2,982,936

E. REFUNDABLE ADVANCE

The Corporation receives special grants from the USOPC for specific purposes which must be refunded to the USOPC if not utilized for the specified purpose. At December 31, 2020 and 2019, the refundable advances were \$4,071 and \$7,439, respectively.

F. DONATED SERVICES

The Corporation recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. At December 31, 2020 and 2019, donated services recorded were for insurance brokerage services and amounted to \$100,000 each year.

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

The Board of Directors has designated a portion of the assets without donor restrictions of the Corporation to support the John R. Stenner scholarship program.

H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2020 and 2019, consist of contributions received for the following purposes:

	<u>2020</u>		<u>2019</u>	
Trail tune-up Collegiate scholarships Junior athlete travel	\$	8,700 70 30	\$	8,669
	\$	8,800	\$	8,669

During the year ended December 31, 2007, the Corporation was the recipient of donated land and building valued at \$3,895,000. The donor has stipulated that as a condition of this gift, the Corporation must use the property as its national headquarters until December 31, 2027.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose or the passage of time. During the year ended December 31, 2020, net assets were released from restrictions for satisfying the following purposes:

		<u>2020</u>
USOPC programs USA Cycling Development Foundation programs HBCU/TCU	\$	2,049,748 337,609 25,000
El Paso County Economic program Anti-doping programs Armando fund program	_	16,000 2,407 42
	<u>\$</u>	2,430,806

I. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL

Net assets with perpetual donor restrictions at December 31, 2020 and 2019, consist entirely of the Armando fund, which is restricted in perpetuity (Note J). Income from the Armando fund is used to support racing in the Northeast area of the United States.

Earnings on these net assets are subject to donor restrictions that stipulate that the original principal of the gift is to be held and invested by the Corporation indefinitely and income from the fund is to be used for racing in the Northeast area of the United States.

I. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL - Continued

At December 31, 2020 and 2019, the underlying assets of the endowment fund are included in the consolidated statement of financial position as cash.

J. ENDOWMENT FUNDS

In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified as funds with donor restrictions based on the existence of donor-imposed designations.

Interpretation of Relevant Law

The Corporation's Board has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restriction except for explicit donor-stipulations to the contrary. As a result of this interpretation, permanently donor restricted assets include the original value of the gift and any required accumulations for inflation stipulated by the donor.

The Corporation's permanently donor restricted net assets consist of an endowment gift received from one donor. The gift instrument does not require that a percentage of the annual income, including realized and unrealized gains, be added to the original gift as a hedge against the effects of inflation. As of December 31, 2020, the original gift was equal to the fair market value of the net assets with donor restrictions - perpetual.

The remaining portion of the donor-restricted endowment that is not classified as net assets with donor restrictions - perpetual, is classified as net assets with donor restrictions - temporary, until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and the Corporation's investment and spending policies.

Composition of Endowment

These funds are invested in cash and cash equivalents, pursuant to the Corporation's spending objectives of subjecting the fund to low investment risk and providing this program with current income. The Corporation expends this fund's investment earnings for the restricted purpose in the year of receipt.

J. ENDOWMENT FUNDS - Continued

Composition of Endowment - continued

	With donor restrictions: temporary	With donor restrictions: perpetual	<u>Total</u>
Endowment net assets, January 1, 2019 Investment income Expenditures	\$ 42 (42)	\$ 16,980	\$ 16,980 42 (42)
Endowment net assets, December 31, 2019	\$	\$ 16,980	\$ 16,980
Investment income Expenditures	42 (42)		42 (42)
Endowment net assets, December 31, 2020	\$	\$ 16,980	\$ 16,980

Return Objectives and Risk Parameters

The Corporation has adopted objectives and parameters in its investment policy for the purpose of providing reasonably predictable earnings while preserving the required fair value of the endowment's permanently donor restricted net assets.

Spending Policy and Relation to Investment Objectives

To the extent that expenses satisfy donor stipulations, the Corporation considers the long-term expected return on the Endowment to determine appropriate distributions each year. Accordingly, over the long-term, the Corporation expects its spending policy to provide funding for its programs as well as preserve the required fair values of the endowment's net assets with donor restrictions - perpetual.

Strategies Employed for Achieving Objectives

The Corporation employs a total-return strategy to achieve its investment objectives, which utilizes current yield (interest). Full allocation in cash is applied to maintain an acceptable level of prudent risk.

K. LINE OF CREDIT

In April 2020, the Corporation entered into a line of credit arrangement with Stifel Bank & Trust. The maximum amount available under this line is \$2,500,000, and is secured by the Corporation's investment portfolio. Interest accrues at 1.75% plus 30-day LIBOR on any outstanding amount. At December 31, 2020 there was no outstanding balance.

L. PAYCHECK PROTECTION PROGRAM

In April 2020, the Corporation received a \$1,005,700 loan from J.P. Morgan through the Small Business Administration's Paycheck Protection Program (PPP). A portion or all of loan may be forgiven by the Small Business Administration if certain payroll criteria are met and funds are used for payroll, rent, mortgage interest, or utilities. Any portion of the loan that is not forgiven has a minimum maturity of two years and an interest rate of .98%. Loan payments are deferred for 10 months.

Subsequent to year-end the Corporation received confirmation that the entire first round PPP loan was forgiven. The forgiveness is included in Government COVID grants.

Also subsequent to year-end the Corporation received a second round of PPP funding of \$1,053,805 with the same terms as the first round of funding.

M. INSURANCE SURCHARGE

Costs for athlete accident medical and general liability insurance are charged to the different expense categories as Premiums for these policies are based on a applicable. formula which takes into account prior losses, the number of In addition to the events, and the number of members. insurance costs reported in the consolidated statement of functional expenses, there are significant indirect costs associated with administering this insurance program. Corporation collects an insurance surcharge when athletes register for events. The Corporation collects an insurance surcharge when athletes register for road, track, mountain bike, and cyclocross events. The Corporation also collects insurance surcharges and fees from event organizers, clubs, mechanics, and coaches. This income, which is included in sanction and entry fees, is recorded when received and amounted to \$622,309 and \$2,274,535, for the years ended December 31, 2020 and 2019, respectively.

N. RETIREMENT PLANS

Effective July 1, 2007, the Corporation adopted a Safe Harbor 403(b) plan. The Corporation's non-elective Safe Harbor contribution matches 100% of each employee's elective deferrals up to 4% of eligible compensation. The Corporation may also make employer supplemental contributions at its discretion which will be allocated among all eligible employees, whether or not they make contributions.

Employer contributions to the 403(b) plan for the years ended December 31, 2020 and 2019, were \$286,904 and \$354,521, respectively. The Corporation's contributions are fully funded.

O. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the United States Olympic Paralympic Committee (USOPC) provided grants to the Corporation under the following project categories:

	<u>2020</u>	<u>2019</u>
NGB funding	\$ 1,730,806	\$ 1,785,000
High performance operations	266,158	390,000
COVID relief	32,415	
Youth cycling	15,000	
International relations	5,369	2,561
BMX park Chula Vista, CA		50,000
Paralympic		22,800
Sport psychology		16,875
Next Olympic Hopeful	 	 15,500
	\$ 2,049,748	\$ 2,282,736

The USOPC also paid stipends, performance bonuses, and tuition support of \$421,875 and \$476,250 directly to athletes or on their behalf in 2020 and 2019, respectively.

In addition, at December 31, 2020 and 2019, the Corporation owed the USOPC \$4,220 and \$46,035, respectively. The USOPC owed the Corporation \$693 and \$17,896, respectively, at December 31, 2020 and 2019.

O. RELATED PARTY TRANSACTIONS - Continued

The USA Cycling Development Foundation (USACDF) was formed to operate exclusively for the benefit and support of the Corporation. The purpose of the USACDF is to raise funds and acquire assets that will enable the Corporation to encourage, improve, and promote cycling in the United States. The Corporation does not control the USACDF and therefore does not prepare consolidated financial statements with the Foundation.

During the years ended December 31, 2020 and 2019, the Foundation provided grants in support of the Corporation's programs in the amount of \$1,565,390 and \$1,575,382, respectively. Also, during the years ended December 31, 2020 and 2019, grant funds in the amount of \$4,500 and \$14,924, respectively, were provided to the Corporation in support of the High Performance and John Stenner Collegiate Grant programs.

The Corporation also provided administrative services to the USACDF. Total gross revenue for these services for the years ended December 31, 2020 and 2019, amounted to \$360,340 and \$361,908, respectively. Revenues that exceed expenses paid are considered grants from the USACDF for work performed by the Foundation on the Corporation's program services. The Corporation also provides administrative services and office space to the USACDF at no cost. During the years ended December 31, 2020 and 2019, \$40,000 was recorded as in-kind services by the USACDF each year.

The USACDF owed the Corporation \$70,062 and \$241,046 at December 31, 2020 and 2019, respectively.

The Corporation is economically dependent upon grants from the USOPC and the USACDF in order to maintain its programs at current levels.

The Corporation made payments to certain non-employee Board Members, Trustees, members of their immediate families and entities whose officers or directors are members of the Corporation's Board during the years ended December 31, 2020 and 2019, for the following:

Athlete stipends, prize money, officiating, and other \$ 14,424 \$ 26,060

O. RELATED PARTY TRANSACTIONS - Continued

The Corporation also signed an affiliate agreement with an entity whose CEO serves on the Corporation's Board. The Corporation recorded income from the agreement of \$120,000 during both of the years ended December 31, 2020 and 2019, respectively. The Corporation was owed \$0 and \$0 at December 31, 2020 and 2019, respectively. This amount has been paid in full to the Corporation subsequent to year end.

The Corporation does not compensate any non-employee Board members for their service on the Board of Directors.

P. CONTINGENCIES

The Corporation has been named as a defendant in several lawsuits.

The Corporation has accrued \$1,710,915 and \$1,397,576 for the years ending December 31, 2020 and 2019, respectively, for insurance deductibles on its high deductible insurance policy. The accrual was based on historical claim data and will be monitored for adjustment periodically.

The outbreak of COVID-19 (the COVID-19 outbreak) has been recognized as a pandemic by the World Health Organization, and the COVID-19 outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the decline in global financial markets, temporary closures of many businesses, suspension or cancelation of sporting events including cycling events, "shelter in place" and other governmental regulations, and job losses. The extent to which the COVID-19 outbreak will affect the long-term operations, collections, or financial results of the Organizations is uncertain.

Q. LEASES

The Corporation leased a postage meter under a 60-month operating lease. This lease required monthly payments of \$255 through May 2019. This lease continues on a month-to-month basis.

The Corporation entered into a lease for warehouse space in the Netherlands through February 14, 2018. This lease required annual rent in the amount of $\in 15,300$, with annual increases, not to exceed 2.5%. The original five year lease

Q. LEASES - Continued

expired February 14, 2018. This lease was extended for an additional five years expiring February 14, 2023 under the same terms as the original lease.

In addition, the Corporation leases housing facilities in the Netherlands for athletes and coaches on a month-to-month basis.

Future minimum lease payments for the years ending December 31 are as follows:

2021	\$ 20,717
2022	20,717
2023	1,726

Rental expense under operating leases was \$82,063 and \$117,130 during the years ended December 31, 2020 and 2019, respectively.