



**USA CYCLING, INC.  
USA CYCLING BV**

**Consolidated Financial Statements**

**For the Year Ended December 31, 2019**

## 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 Expenses . . . . .	5
Consolidated Statement of Cash Flows . . . . .	6
Notes to the Consolidated Financial Statements . . . . .	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 subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, 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 financial statements.

**Management's Responsibility for the 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 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 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, 2019, 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, Inc. and subsidiary's 2018 consolidated financial statements, and our report dated May 21, 2019, 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, 2018, 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 financial statements, in 2019, USA Cycling, Inc. and USA Cycling BV adopted Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. Our opinion is not modified with respect to these matters.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
November 13, 2020

USA CYCLING, INC.  
USA CYCLING BV  
Consolidated Statement of Financial Position  
December 31, 2019  
(With Comparative Amounts for 2018)

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,837,529	\$ 2,302,559
Short-term investments	7,730,364	8,302,242
Accounts receivable, net	112,457	297,402
Due from USACDF	241,046	196,623
Due from USOPC	17,896	11,233
Inventory	380,198	421,858
Prepaid expenses	<u>321,738</u>	<u>320,294</u>
Total current assets	11,641,228	11,852,211
PROPERTY AND EQUIPMENT - at cost:		
Building and improvements	7,027,205	7,025,455
Land	649,145	649,145
Office furniture and equipment	1,226,873	1,182,159
Training equipment	150,734	150,734
Vehicles	492,653	458,996
Leasehold improvements	140,613	140,613
Software development in process	669,971	
Less accumulated depreciation	<u>(3,855,601)</u>	<u>(3,517,906)</u>
Property and equipment - net	<u>6,501,593</u>	<u>6,089,196</u>
TOTAL ASSETS	<u>\$ 18,142,821</u>	<u>\$ 17,941,407</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 723,834	\$ 384,452
Accrued liabilities	1,710,889	1,778,444
Insurance litigation reserves	1,397,576	1,186,537
Current portion of deferred revenue	2,973,696	2,877,024
Refundable advance	7,439	50,000
Current portion of notes payable	<u></u>	<u>2,191</u>
Total current liabilities	6,813,434	6,278,648
LONG TERM LIABILITIES:		
Deferred revenue	<u>9,240</u>	<u>19,035</u>
TOTAL LIABILITIES	6,822,674	6,297,683
NET ASSETS:		
Without donor restrictions	11,283,915	11,607,521
Without donor restrictions - board designated	10,583	10,583
With donor restrictions	<u>25,649</u>	<u>25,620</u>
Total net assets	<u>11,320,147</u>	<u>11,643,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,142,821</u>	<u>\$ 17,941,407</u>

See Notes to Consolidated Financial Statements

USA CYCLING, INC.  
USA CYCLING BV  
Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
REVENUE:				
Membership dues and fees	\$ 5,901,009	\$	\$ 5,901,009	\$ 5,986,838
Sanction and registration fees	2,885,874		2,885,874	2,919,320
USOPC grants		2,282,736	2,282,736	2,118,000
USA Cycling Development Foundation grants and management fees, net of expenses of \$361,908 and \$410,625	28,865	1,561,441	1,590,306	1,381,778
Events	1,369,544		1,369,544	1,325,670
Sponsorship, licensing and affinity royalties	756,453		756,453	450,875
Other income	253,717		253,717	220,577
Contributions	265,985	25,221	291,206	211,567
Merchandise sales, net of costs of sales of \$253,555 and \$173,799	(29,475)		(29,475)	(8,360)
Investment income (loss), net of fees of \$31,591 and \$33,224	1,443,479	42	1,443,521	(319,960)
Net assets released from restrictions	3,869,411	(3,869,411)		
Total revenue	16,744,862	29	16,744,891	14,286,305
EXPENSES:				
Program services:				
Membership and sanctioning	7,591,145		7,591,145	7,086,639
Coaches, training center and athletes	5,766,217		5,766,217	5,556,857
National and international events	1,869,753		1,869,753	1,797,154
Total program services	15,227,115		15,227,115	14,440,650
Supporting services:				
National office	1,128,926		1,128,926	1,052,393
Fundraising	537,144		537,144	379,901
Governance	175,283		175,283	208,719
Total supporting services	1,841,353		1,841,353	1,641,013
Total expenses	17,068,468		17,068,468	16,081,663
CHANGE IN NET ASSETS	(323,606)	29	(323,577)	(1,795,358)
NET ASSETS, beginning of year	11,618,104	25,620	11,643,724	13,439,082
NET ASSETS, end of year	\$ 11,294,498	\$ 25,649	\$ 11,320,147	\$ 11,643,724

See Notes to Consolidated Financial Statements

USA CYCLING, INC.  
USA CYCLING BV  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	Membership & Sanctioning	Coaches, Training Center & Athletes	National & International Events	Merchandise Sales	Total Program Services
Advertising & promotion	\$ 22,284	\$ 283	\$ 10,927	\$ 1,137	\$ 34,631
Airfare	55,678	801,807	73,042	4,623	935,150
Bad debts, net of recoveries	2,788		3,430		6,218
Bank & credit card processing fees	177,562	11,452	14		189,028
Contract labor & fees	1,207,748	1,121,920	767,450	13,497	3,110,615
Cost of merchandise				148,528	148,528
Depreciation	222,058	104,702	38,922	4,913	370,595
Dues, subscriptions & fees	4,547	16,255	56,659	6	77,467
Employee benefits	443,755	315,724	60,850	15,148	835,477
Food & housing	93,832	897,324	120,812	5,099	1,117,067
Foreign exchange loss (gain)		576			576
Foreign taxes		12,130			12,130
Gear, equipment, clothing & supplies	18,742	428,826	79,433	367	527,368
Gifts & grants	26,216	31,257	1,017	1,739	60,229
Ground transportation	39,505	197,505	73,952	4,474	315,436
Insurance	2,098,451	45,017	63,942		2,207,410
Local rebates & promoter incentives	406,922				406,922
Medals, awards & prizes	34,745	28,487	56,404		119,636
Office expense & supplies	8,531	19,246	2,873	344	30,994
Payroll taxes	164,221	101,825	23,611	1,631	291,288
Photography, video & artwork	3,131	4,084	363	76	7,654
Postage & fulfillment	236,713	23,147	17,831	17,693	295,384
Printing & publications	49,752	2,535	37,233	2,053	91,573
Professional fees		496			496
Race entry fees	844	23,271	8		24,123
Rental expense	2,654	145,211	26,283	683	174,831
Repairs & maintenance	29,043	68,487	20,002	1,436	118,968
Salaries	2,163,018	1,361,462	329,401	28,687	3,882,568
Sales tax					
Small equipment	37,187	942	490	645	39,264
Telephone & broadband	25,777	11,327	1,442		38,546
Utilities	15,441	15,797	3,362	776	35,376
VAT		(24,878)			(24,878)
Total expenses	7,591,145	5,766,217	1,869,753	253,555	15,480,670
Less expenses shown net of revenue on statement of activities				(253,555)	(253,555)
Expenses on statement of activities	<u>\$ 7,591,145</u>	<u>\$ 5,766,217</u>	<u>\$ 1,869,753</u>	<u>\$</u>	<u>\$ 15,227,115</u>

	National Office	Fundraising	Governance	USA Cycling Development Foundation	Total Supporting Services	2019 Total Expenses	2018 Total Expenses
Advertising & promotion	\$ 720	\$ 855	\$	\$	\$ 1,575	\$ 36,206	\$ 29,295
Airfare	14,736	13,844	34,261		62,841	997,991	938,206
Bad debts, net of recoveries	2,544				2,544	8,762	(13,337)
Bank & credit card processing fees	226	36	15		277	189,305	204,183
Contract labor & fees	20,557	193,204	3,730		217,491	3,328,106	3,106,297
Cost of merchandise						148,528	105,035
Depreciation	36,727	6,082			42,809	413,404	445,522
Dues, subscriptions & fees	42,700	2,761	8,085		53,546	131,013	100,840
Employee benefits	120,218	32,961	7,492	67,939	228,610	1,064,087	949,273
Food & housing	23,183	23,855	28,274		75,312	1,192,379	1,251,524
Foreign exchange loss (gain)						576	367
Foreign taxes						12,130	18,211
Gear, equipment, clothing & supplies	2,843	5,205	1,611		9,659	537,027	284,873
Gifts & grants	1,696	1,117	553		3,366	63,595	97,908
Ground transportation	3,844	8,704	9,375		21,923	337,359	390,915
Insurance	50,901	227			51,128	2,258,538	1,908,838
Local rebates & promoter incentives						406,922	442,760
Medals, awards & prizes						119,636	286,502
Office expense & supplies	2,942	726	519		4,187	35,181	95,493
Payroll taxes	40,439	8,860	5,237	23,332	77,868	369,156	340,131
Photography, video & artwork	551	238	130		919	8,573	2,141
Postage & fulfillment	2,158	2,051	2,106		6,315	301,699	448,900
Printing & publications	2,296	9,381	41		11,718	103,291	110,237
Professional fees	111,689				111,689	112,185	20,233
Race entry fees						24,123	32,610
Rental expense	581	103	33		717	175,548	143,801
Repairs & maintenance	10,393	1,778	342		12,513	131,481	40,624
Salaries	524,135	223,404	71,472	270,637	1,089,648	4,972,216	4,836,678
Sales tax	103,473				103,473	103,473	
Small equipment	509	107	100		716	39,980	24,332
Telephone & broadband	3,250	685	1,722		5,657	44,203	25,404
Utilities	5,615	960	185		6,760	42,136	48,035
VAT						(24,878)	(49,744)
Total expenses	1,128,926	537,144	175,283	361,908	2,203,261	17,683,931	16,666,087
Less expenses shown net of revenue on statement of activities				(361,908)	(361,908)	(615,463)	(584,424)
Expenses on statement of activities	\$ 1,128,926	\$ 537,144	\$ 175,283	\$	\$ 1,841,353	\$ 17,068,468	\$ 16,081,663

See Notes to Consolidated Financial Statements

USA CYCLING, INC.  
USA CYCLING BV  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2019  
(With Comparative Amounts for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (323,577)	\$ (1,795,358)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	413,404	445,522
Gain on disposal of property and equipment	(7,889)	(1,900)
Change in allowance for doubtful accounts	5,691	(18,337)
Net unrealized and realized (gains) losses on investments	(1,173,473)	604,066
(Increase) decrease in assets:		
Accounts receivable	179,254	(156,013)
Due from USACDF	(44,423)	(104,817)
Due from USOC	(6,663)	(8,233)
Inventory	41,660	(40,949)
Prepaid expenses	(1,444)	78,092
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	271,827	(245,098)
Insurance litigation reserves	211,039	(15,212)
Deferred revenue	86,877	(177,287)
Refundable advance	<u>(42,561)</u>	<u>50,000</u>
Total adjustments	<u>(66,701)</u>	<u>409,834</u>
Net cash used by operating activities	(390,278)	(1,385,524)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,441,433	2,174,895
Purchases of investments	(696,082)	(2,431,039)
Proceeds from sale of property and equipment	7,889	1,900
Acquisition of property and equipment	<u>(825,801)</u>	<u>(138,636)</u>
Net cash used by investing activities	927,439	(392,880)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	<u>(2,191)</u>	<u>(12,062)</u>
Net cash used by financing activities	<u>(2,191)</u>	<u>(12,062)</u>
NET INCREASE (DECREASE) IN CASH	534,970	(1,790,466)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,302,559</u>	<u>4,093,025</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,837,529</u>	<u>\$ 2,302,559</u>

See Notes to Consolidated Financial Statements

USA CYCLING, INC.  
USA CYCLING BV  
Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2019

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 USA Cycling is to achieve sustained success in international cycling competition and to grow competitive cycling in America.

During the year ended December 31, 2013, USA Cycling established an international wholly owned for-profit subsidiary, USA Cycling BV (the Subsidiary), to support ongoing program activities of the Corporation in Europe. USA Cycling BV'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 losses of \$576 and \$367 during the years ended December 31, 2019 and 2018, respectively, and are included in program services in the consolidated statements of activities and reported separately on the consolidated statement of functional expenses.

Accounting Standards Update

On January 1, 2019, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This standard establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. This standard was adopted on a modified prospective basis with no effect on net assets in connection with implementation.

## Notes to Consolidated Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Accounting Standards Update - continued

On January 1, 2019, the Corporation also adopted FASB ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

#### 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 Corporation's financial statements for the year ended December 31, 2018, 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 USOPC grants.

## Notes to Consolidated Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 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.

#### Supplemental Cash Flow Information

During the years ended December 31, 2019 and 2018, the Corporation did not pay any interest. During the years ended December 31, 2019 and 2018, the Corporation paid income taxes of \$2,000 and \$1,835, 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 \$42,510 and \$36,819 at December 31, 2019 and 2018, 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

## Notes to Consolidated Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Property and Equipment - Continued

of the assets, are charged to expense when incurred.

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, 2019 and 2018, amounted to \$413,404 and \$445,522, respectively.

#### Membership Registrations

Membership registrations consist of annual and single event licenses and are recognized as revenue in the corresponding year of the license. Some specialty membership categories offer a two-year license, and this revenue is also recognized as revenue in the corresponding year of the license. Memberships not related to a license are recognized as revenue in the period that substantially all the related material benefits are delivered. When material benefits are provided during the entire membership period, the revenue is recognized over the period of the membership.

#### 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.

## Notes to Consolidated 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### 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 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.

#### Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 13, 2020, 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, 2019 and 2018, 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. 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

## Notes to Consolidated Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,837,529	\$ 2,302,559
Short-term investments	7,730,364	8,302,242
Accounts receivable, net	112,457	297,402
Due from USACDF	241,046	196,623
Due from USOPC	<u>17,896</u>	<u>11,233</u>
Total liquid financial assets	10,939,292	11,110,059
Less amounts not available to to be used within one year:		
Board designated - John R. Stenner scholarship fund	(10,583)	(10,583)
Assets with donor restrictions (Note H)	<u>(25,649)</u>	<u>(25,620)</u>
Financial assets available within one year	<u>\$ 10,903,060</u>	<u>\$ 11,073,856</u>

### 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.

## Notes to Consolidated 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 recorded at the end of the period.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2019 and 2018:

Assets at Fair Value as of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Mutual funds and ETFs	\$ 3,728,611	\$		\$ 3,728,611
Stocks	941,697			941,697
Publicly traded partnership	5,594			5,594
Debt securities:				
Mutual funds	3,032,775			3,032,775
Cash and cash equivalents	<u>21,687</u>			<u>21,687</u>
Total	<u>\$ 7,730,364</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,730,364</u>

Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Mutual funds and ETFs	\$ 3,742,538	\$	\$	\$ 3,742,538
Stocks	928,309			928,309
Debt securities:				
Mutual funds	3,601,004			3,601,004
Cash and cash equivalents	<u>30,391</u>			<u>30,391</u>
Total	<u>\$ 8,302,242</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,302,242</u>

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 796,092	\$ (659,437)
Realized gains	377,381	55,371
Interest and dividends	301,639	317,330
Investment fees	<u>(31,591)</u>	<u>(33,224)</u>
	<u>\$ 1,443,521</u>	<u>\$ (319,960)</u>

## Notes to Consolidated Financial Statements

### D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Club, membership and permit fees	\$ 2,836,378	\$ 2,703,987
Marketing royalties, sponsorship	129,179	43,780
Race clean fees	14,945	109,730
Bid fees	1,700	26,242
Other	734	5,015
Events		7,305
	<u>\$ 2,982,936</u>	<u>\$ 2,896,059</u>

### E. REFUNDABLE ADVANCE

The Corporation receives special grants from the USOPC for specific purposes which must be refunded to the USPOC if not utilized for the specified purpose. At December 31, 2019 and 2018, the refundable advances were \$7,439 and \$50,000, 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, 2019 and 2018, 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.

## Notes to Consolidated Financial Statements

### H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions at December 31, 2019 and 2018, consist of contributions received for the following purposes:

	<u>2019</u>	<u>2018</u>
Trail tune-up	\$ <u>8,669</u>	\$ <u>8,640</u>

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, 2019, net assets were released from restrictions for satisfying the following purposes:

	<u>2019</u>
USOPC programs	\$ 2,282,736
USA Cycling Development	
Foundation programs	1,561,441
Anti-doping programs	12,616
Cyclocross	10,000
U23 programs	2,000
Junior athlete travel	58
Collegiate scholarships	518
Armando fund program	<u>42</u>
	<u>\$ 3,869,411</u>

### I. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL

Net assets with perpetual donor restrictions at December 31, 2019 and 2018, 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.

## Notes to Consolidated Financial Statements

### I. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL - Continued

At December 31, 2019 and 2018, the underlying assets of the endowment fund are included in the 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 of Directors 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, 2019, 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.

## Notes to Consolidated Financial Statements

### J. ENDOWMENT FUNDS - Continued

#### Composition of Endowment

	With donor restrictions: <u>temporary</u>	With donor restrictions: <u>perpetual</u>	<u>Total</u>
Endowment net assets, January 1, 2018	\$	\$ 16,980	\$ 16,980
Investment income	42		42
Expenditures	<u>(42)</u>	<u></u>	<u>(42)</u>
Endowment net assets, December 31, 2018	\$	\$ 16,980	\$ 16,980
Investment income	42		42
Expenditures	<u>(42)</u>	<u></u>	<u>(42)</u>
Endowment net assets, December 31, 2019	<u>\$</u>	<u>\$ 16,980</u>	<u>\$ 16,980</u>

#### 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. NOTES PAYABLE

The notes payable are due to a cell phone provider for equipment. Principal payments are due in twenty-four payments with no interest, which is common industry practice. The notes were paid off during 2019.

## Notes to Consolidated Financial Statements

### L. INSURANCE SURCHARGE

Costs for athlete accident medical and general liability insurance are charged to the different expense categories as applicable. Premiums for these policies are based on a formula which takes into account prior losses, the number of events and the number of members. In addition to the insurance costs reported in the statement of functional expenses, there are significant indirect costs associated with administering this insurance program. 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 \$2,274,535 and \$2,206,078, for the years ended December 31, 2019 and 2018, respectively.

### M. 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, 2019 and 2018, were \$354,521 and \$298,971, respectively. The Corporation's contributions are fully funded.

### N. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, the United States Olympic Paralympic Committee (USOPC) provided grants to the Corporation under the following project categories:

	<u>2019</u>	<u>2018</u>
NGB funding	\$ 1,785,000	\$ 1,785,000
High performance operations	390,000	250,000
BMX park Chula Vista, CA	50,000	
Paralympic	22,800	
Sport psychology	16,875	
Next Olympic Hopeful	15,500	
International relations	2,561	13,000
BMX freestyle national teams		60,000
Technology and innovation		10,000
	<u>\$ 2,282,736</u>	<u>\$ 2,118,000</u>

## Notes to Consolidated Financial Statements

### N. RELATED PARTY TRANSACTIONS - Continued

The USOPC also paid stipends, performance bonuses and tuition support of \$476,250 and \$369,375 directly to athletes or on their behalf in 2019 and 2018, respectively.

In addition, at December 31, 2019 and 2018, the Corporation owed the USOPC \$46,035 and \$60,659, respectively. The USOPC owed the Corporation \$17,896 and \$11,233, respectively, at December 31, 2019 and 2018.

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, 2019 and 2018, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$1,575,382 and \$1,338,752, respectively. Also, during the years ended December 31, 2019 and 2018, grant funds in the amount of \$14,924 and \$28,676, respectively, were provided to USA Cycling, Inc. 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, 2019 and 2018, amounted to \$361,908 and \$424,975, 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, 2019 and 2018, \$40,000 was recorded as in-kind services by the USACDF each year.

The USACDF owed the Corporation \$241,046 and \$196,623 at December 31, 2019 and 2018, respectively.

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

## Notes to Consolidated Financial Statements

### N. RELATED PARTY TRANSACTIONS - Continued

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, 2019 and 2018, for the following:

	<u>2019</u>	<u>2018</u>
Athlete stipends, prize money, officiating and other	<u>\$ 26,060</u>	<u>\$ 23,065</u>

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, 2019 and 2018, respectively. The Corporation was owed \$0 and \$89,149 at December 31, 2019 and 2018, 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.

### O. CONTINGENCIES

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

The Corporation has accrued \$1,397,576 and \$1,186,537 for the years ending December 31, 2019 and 2018, 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.

### P. LEASES

The Corporation has leased a postage meter under a 60-month operating lease. This lease requires 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 15,300 euros, with annual increases, not to exceed 2.5%. The original five year lease 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.

## Notes to Consolidated Financial Statements

### P. LEASES - Continued

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:

2020	\$	18,878
2021		18,948
2022		18,948
2023		2,369

Rental expense under operating leases was \$117,130 and \$133,345 during the years ended December 31, 2019 and 2018, respectively.

### Q. SUBSEQUENT EVENT

Subsequent to year end, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the 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.

In April 2020, the Corporation received a \$1,005,700 loan from J.P. Morgan through the Small Business Administration's Paycheck Protection Program. 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 ten months.

Also 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. To date, no amount has been drawn on this line.