USA CYCLING, INC. USA CYCLING BV

Consolidated Financial Statements & Supplemental Schedules

For the Year Ended December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of USA Cycling, Inc. (a nonprofit organization), and USA Cycling BV (subsidiary), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USA Cycling, Inc. and subsidiary as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Cycling, Inc. and subsidiary, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the

aggregate, that raise substantial doubt about USA Cycling, Inc.'s and subsidiary's ability to continue as going concerns within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USA Cycling, Inc.'s, and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Cycling, Inc.'s, and subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited USA Cycling, Inc. and subsidiary's December 31, 2020, consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2021.

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado November 15, 2022

USA CYCLING, INC. USA CYCLING BV

Consolidated Statement of Financial Position December 31, 2021

(With Comparative Amounts for 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS: Cash and cash equivalents Short-term investments Accounts receivable, net Due from USACDF Due from USOPC Inventory Prepaid expenses	\$ 4,222,751 8,545,645 1,516,054 573,614 149,774 57,123	\$ 2,435,705 7,501,339 416,123 70,062 693 109,222 200,955
Total current assets	15,064,961	10,734,099
PROPERTY AND EQUIPMENT - at cost: Building and improvements Land Office furniture and equipment Training equipment Vehicles Leasehold improvements Less accumulated depreciation Property and equipment - net	7,027,205 649,145 1,855,688 296,890 439,548 355,986 (4,921,770)	7,027,205 649,145 1,855,688 296,890 476,439 355,986 (4,283,741
TOTAL ASSETS	\$ 20,767,653	<u>\$ 17,111,711</u>
LIABILITIES AND NET ASS	SETS	
CURRENT LIABILITIES: Accounts payable Accrued liabilities Insurance litigation reserves Current portion of deferred revenue Refundable advance	\$ 769,264 1,916,018 2,559,343 2,432,519 4,070	\$ 229,860 1,148,962 1,710,915 2,578,829 4,070
Total current liabilities	7,681,214	5,672,636
LONG TERM LIABILITIES: Deferred revenue	9,240	5,575
TOTAL LIABILITIES	7,690,454	5,678,211
NET ASSETS: Without donor restrictions Without donor restrictions - board designated With donor restrictions	12,901,782 10,583 164,834	11,397,137 10,583 25,780
Total net assets	13,077,199	11,433,500

USA CYCLING, INC. USA CYCLING BV

Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

	Without Donor	With Donor	2021	2020
	Restrictions	Restrictions	Totals	Totals
REVENUE:	å 4 00F 401	A	å 4 00F 401	* 4 007 0C0
Membership dues and fees	\$ 4,025,421	\$	\$ 4,025,421	\$ 4,087,962
Government COVID grants	2,127,005	2 000 104	2,127,005	1,238,227
USOPC grants	1 070 514	2,000,194	2,000,194	2,049,748
Sanction and registration fees USA Cycling Development	1,970,514		1,970,514	704,782
Foundation grants and				
management fees, net of				
expenses of \$434,646 and				
\$360,340	1,239,012	372,000	1,611,012	1,569,890
Events	1,180,343	3,2,000	1,180,343	15,595
Investment income net of fees	_,,		_,,	_0,000
of \$30,096 and \$24,308	1,052,697	42	1,052,739	775,063
Sponsorship, licensing and	, ,		, ,	.,
affinity royalties	917,033		917,033	459,234
Contributions	323,603	185,267	508,870	199,907
Other income, net of expenses				
of \$127,014 and \$66,166	152,281		152,281	260,525
Merchandise sales, net of				
costs of sales of \$110,967				
and \$62,429	(38,743)		(38,743)	23,980
Net assets released				
from restrictions	2,418,449	(2,418,449)	-	
Total revenue	15,367,615	139,054	15,506,669	11,384,913
EXPENSES:				
Program services:				
Membership and sanctioning	6,840,976		6,840,976	6,700,536
Coaches, training center				
and athletes	4,011,429		4,011,429	2,821,621
National and international				
events	1,586,885		1,586,885	464,419
Total program services	12,439,290		12,439,290	9,986,576
Supporting services:				
National office	960,143		960,143	879,274
Fundraising	304,290		304,290	310,829
Governance	159,247		159,247	94,881
Total supporting services	1,423,680		1,423,680	1,284,984
Total expenses	13,862,970		13,862,970	11,271,560
CHANGE IN NET ASSETS	1,504,645	139,054	1,643,699	113,353
NET ASSETS, beginning of year	11,407,720	25,780	11,433,500	11,320,147
NET ASSETS, end of year	\$12,912,365	<u>\$ 164,834</u>	\$ 13,077,199	\$11,433,500

See Notes to Consolidated Financial Statements

USA CYCLING, INC.

USA CYCLING BV

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

	Membership & Sanctioning	Coaches, Training Center & Athletes	National & International Events	Merchandise Sales	Total Program Services
Advertising & promotion	\$ 318,460	\$ 336	\$ 90	\$	\$ 318,886
Airfare	21,441	265,055	55,913		342,409
Bad debts, net of recoveries	(1,289)				(1,289)
Bank & credit card processing fees	131,436	14,243	165		145,844
Contract labor & fees	1,753,975	504,949	662,419	22,345	2,943,688
Cost of merchandise		12,500		82,256	94,756
Depreciation	312,923	214,884	41,225		569,032
Dues, subscriptions & fees	14,727	37,649	25,632		78,008
Employee benefits	330,090	251,010	35,463	23	616,586
Food & housing	28,270	471,650	75,983		575,903
Foreign exchange loss (gain)		1,462			1,462
Gear, equipment, clothing & supplies	17,479	341,014	59,774	3,149	421,416
Gifts & grants	60,374	3,309	36		63,719
Ground transportation	14,966	124,069	73,567		212,602
Insurance	1,750,527	52,726	44,532		1,847,785
Local rebates & promoter incentives	66,957				66,957
Medals, awards & prizes	5,359	38,270	39,129		82,758
Office expense & supplies	2,320	2,100	1,533		5,953
Payroll taxes	120,637	93,319	24,824		238,780
Photography, video & artwork	5,326	444	129		5,899
Postage & fulfillment	23,909	91,764	8,239	94	124,006
Printing & publications	4,815	1,792	17,997	3,100	27,704
Professional fees		11,391			11,391
Race entry fees	707	17,392	38,147		56,246
Rental expense	2,747	134,743	19,082		156,572
Repairs & maintenance	12,105	48,291	22,633		83,029
Salaries	1,778,424	1,278,890	336,657		3,393,971
Small equipment	27,175	2,025	27		29,227
Taxes	38	12,328			12,366
Telephone & broadband	29,243	1,541	1,122		31,906
Utilities	7,835	8,612	2,567		19,014
VAT		(26,329)			(26,329)
Total expenses	6,840,976	4,011,429	1,586,885	110,967	12,550,257
Less expenses shown net of revenue on statement of activities				(110,967)	(110,967)
Expenses on statement					
of activities	\$ 6,840,976	\$ 4,011,429	\$ 1,586,885	\$	\$ 12,439,290

	National Office	Fundraising	Governance	Tenant Services	USA Cycling Development Foundation	Total Supporting Services	2021 Total Expenses	2020 Total Expenses
Advertising & promotion	\$ 806	\$ 358	\$	\$ 22	\$	\$ 1,186	\$ 320,072	\$ 43,327
Airfare	3,288	7,003	23,301	137		33,729	376,138	239,878
Bad debts, net of recoveries							(1,289)	(4,877)
Bank & credit card processing fees	26					26	145,870	80,674
Contract labor & fees	18,274	79,765	2,998	8,699		109,736	3,053,424	1,796,128
Cost of merchandise							94,756	55,899
Depreciation	41,574	2,874	383	61,056		105,887	674,919	601,163
Dues, subscriptions & fees	18,698	3,534	7,283	134		29,649	107,657	62,262
Employee benefits	106,038	28,029	14,192	2,948	69,022	220,229	836,815	941,057
Food & housing	5,871	7,420	14,909	193		28,393	604,296	319,154
Foreign exchange loss (gain)							1,462	(2,587)
Gear, equipment, clothing & supplies	5,832	5,417	3,176	242		14,667	436,083	325,589
Gifts & grants	214	836	107	9		1,166	64,885	74,656
Ground transportation	1,244	4,024	3,876	39		9,183	221,785	60,970
Insurance	112,244	189	19	6,422		118,874	1,966,659	2,401,033
Local rebates & promoter incentives							66,957	162,832
Medals, awards & prizes			74			74	82,832	25,946
Office expense & supplies	781	346	233	29		1,389	7,342	5,325
Payroll taxes	38,086	14,595	5,662	926	24,098	83,367	322,147	270,085
Photography, video & artwork	242	17	2	571		832	6,731	1,258
Postage & fulfillment	1,181	1,975	754	35		3,945	127,951	135,920
Printing & publications		2,067				2,067	29,771	16,022
Professional fees	89,695					89,695	101,086	78,250
Race entry fees	499	332	249	21		1,101	57,347	9,181
Rental expense	678	469	339	28		1,514	158,086	115,988
Repairs & maintenance	7,472	539	19	17,437		25,467	108,496	52,103
Salaries	500,060	142,594	81,402	16,141	341,526	1,081,723	4,475,694	3,813,518
Small equipment	340	38	48			426	29,653	11,747
Taxes				81		81	12,447	11,391
Telephone & broadband	2,199	1,536	188	509		4,432	36,338	41,233
Utilities	4,801	333	33	11,335		16,502	35,516	29,025
VAT							(26,329)	(13,655)
Total expenses	960,143	304,290	159,247	127,014	434,646	1,985,340	14,535,597	11,760,495
Less expenses shown net of revenue on statement of activities				(127,014)	(434,646)	(561,660)	(672,627)	(488,935)
Expenses on statement								
of activities	\$ 960,143	\$ 304,290	\$ 159,247	\$	\$	<u>\$ 1,423,680</u>	<u>\$ 13,862,970</u>	<u>\$ 11,271,560</u>

USA CYCLING, INC. USA CYCLING BV

Consolidated Statement of Cash Flows For the Year Ended December 31, 2021 (With Comparative Amounts for 2020)

		2021		<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$	1,643,699	\$	113,353
Adjustments to reconcile change in net				
assets to net cash provided (used) by				
operating activities:				
Depreciation		674,919		601,163
Gain on disposal of property and equipment		(6,275)		(1,500)
Change in allowance for doubtful accounts		(1,289)		(19,709)
Net unrealized and realized gains				
on investments		(865,616)		(592,820)
(Increase) decrease in assets:				
Accounts receivable		(25,442)		(64,682)
Other receivables - ERC		(1,073,200)		(212,000)
Due from USACDF		(503,552)		170,984
Due from USOC		693		9,928
Inventory		(40,551)		270,976
Prepaid expenses		143,832		120,783
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities		1,306,460		(1,055,902)
Insurance litigation reserves		848,428		313,339
Deferred revenue		(142,644)		(398,532)
Refundable advance				(3,368)
Total adjustments		315,763	_	(861,340)
Net cash provided (used) by				
operating activities		1,959,462		(747,987)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments		587,666		2,371,753
Purchases of investments		(766,357)		(1,549,908)
Proceeds from sale of property and equipment		6,275		1,500
Acquisition of property and equipment		0,213		(477,182)
				(1///102/
Net cash provided (used) by		(150 416)		246 162
investing activities		(172,416)	_	346,163
NET INCREASE (DECREASE) IN CASH		1,787,046		(401,824)
CASH AND CASH EQUIVALENTS,				
beginning of year		2,435,705		2,837,529
				<u> </u>
CASH AND CASH EQUIVALENTS,		4 222 751		2 425 705
end of year	Ş	4,222,751	Ş	2,435,705

USA CYCLING, INC. USA CYCLING BV

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

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 gains and (losses) of (\$1,462) and \$2,587 during the years ended December 31, 2021 and 2020, respectively, and are included in program services in the consolidated statements of activities and reported separately on the consolidated statement of functional expenses.

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, 2020, from which the summarized information was derived.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Paralmypic Committee (USOPC) and government COVID 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.

Supplemental Cash Flow Information

During the years ended December 31, 2021 and 2020, the Corporation did not pay any interest. During the years ended December 31, 2021 and 2020, the Corporation paid income taxes of \$0 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 \$21,512 and \$22,801 at December 31, 2021 and 2020, respectively.

Gross amounts of accounts receivable from contracts with customers was \$43,558 and \$116,996 as of the beginning and end of the year ended December 31, 2021, respectively.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

1.5-3 years
3-10 years
4-39 years

Depreciation expense for the years ended December 31, 2021 and 2020, amounted to \$674,919 and \$601,163, 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.

<u>Fees, Sales and Other Income</u> - The Corporation receives revenue from fees and sales related to program services, and merchandise for the sport. These activities include competitions, athlete programs, national teams, sport development, sanctioning, education, and other similar activities. Revenue is recognized at the time the performance

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

obligations are met which is when services are provided, or goods provided or delivered to the customers.

Sponsorship, Licensing and Royalties - The Corporation recognizes revenue from contracts with both sponsors and suppliers. 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 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 agreement. Licensing and royalty revenue related merchandise sales are recognized at the time of the related For any fixed or guaranteed licensing or merchandise sale. royalty amount the Corporation has concluded that the performance obligations within these contracts 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.

<u>Use of Estimates</u>

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The consolidated 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 15, 2022, 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 Financial assets in excess of daily cash expenditures. 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. for capital assets are also available extraordinary expenditures and for strategic initiatives.

The table below reflects the Corporation's financial assets as of December 31, 2021 and 2020, 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 utilize the Board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution. The Corporation also has a line of credit available, see Note K. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents Short-term investments Accounts receivable, net Due from USACDF Due from USOPC	\$ 4,222,751 8,545,645 1,516,054 573,614	
Total liquid financial assets	14,858,064	10,423,922
Less amounts not available to to be used within one year:		
Board designated - John R. Stenner scholarship fund Assets with donor restrictions (Note H)	(10,583) (164,834)	(10,583) (25,780)
Financial assets available within one year	<u>\$ 14,682,647</u>	<u>\$ 10,387,559</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.
- 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.

C. FAIR VALUE MEASUREMENTS - Continued

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

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

Assets at Fair Value as of December 31, 2021						
	Level 1	Level 2	Level 3	Total		
Equity securities:						
Mutual funds and ETFs	\$ 4,352,690	\$	\$	\$ 4,352,690		
Stocks	1,047,861			1,047,861		
Debt securities: Mutual funds	3,097,609			3,097,609		
Cash and cash equivalents	47,485			47,485		
Total	\$ 8,545,645	\$	\$	\$ 8,545,645		
<u>Assets a</u>	t Fair Value as	s of December 3	1, 2020			
	Level 1	Level 2	Level 3	Total		
Equity securities:						
Mutual funds and ETFs	\$ 3,639,725	\$	\$	\$ 3,639,725		
Stocks	985,407			985,407		
Debt securities:						
Mutual funds	2,796,825			2,796,825		
Cash and cash equivalents	79,382			79,382		
Total	\$ 7,501,339	\$	\$	\$ 7,501,339		

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unrealized gains	\$ 661,373	\$ 469,791
Realized gains	204,243	123,028
Interest and dividends	217,219	206,552
Investment fees	 (30,096)	 (24,308)
	\$ 1,052,739	\$ 775,063

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Club, membership and permit fees Marketing royalties, sponsorship Other Race clean fees Bid fees	\$ 2,321,165 101,438 11,956 7,200	\$ 2,128,319 348,839 5,888 35,600 65,758
	\$ 2,441,759	\$ 2,584,404

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, 2021 and 2020, the refundable advances were \$4,070 each year.

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, 2021 and 2020, 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, 2021 and 2020, consist of contributions received for the following purposes:

	<u>2021</u>	<u>2020</u>
Diversity, equity, & inclusion Trail tune-up Collegiate scholarships Junior athlete travel	\$ 139,123 8,731	\$ 8,700 70 30
	\$ 147,854	\$ 8,800

H. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY - Continued

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, 2021, net assets were released from restrictions for satisfying the following purposes:

		<u>2021</u>
USOPC programs	\$	2,000,194
USA Cycling Development		
Foundation programs		372,000
Let's Ride		20,000
HP coaching summit		15,000
Diversity, equity, & inclusion		10,877
Anti-doping programs		151
Junior athlete travel		114
Collegiate scholarships		71
Armando fund program	_	42
	\$	2,418,449

I. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL

Net assets with perpetual donor restrictions at December 31, 2021 and 2020, consist entirely of the Armando fund, which is restricted in perpetuity (Note J).

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.

At December 31, 2021 and 2020, 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.

J. ENDOWMENT FUNDS - Continued

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 donor restricted net assets - perpetual 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, 2021, 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

	With donor restrictions: temporary	With donor restrictions: perputual	<u>Total</u>
Endowment net assets, January 1, 2020 Investment income Expenditures	\$ 42 (42)	\$ 16,980	\$ 16,980 42 (42)
Endowment net assets, December 31, 2020	\$	\$ 16,980	\$ 16,980
Investment income Expenditures	42 (42)		42 (42)
Endowment net assets, December 31, 2021	\$	<u>\$ 16,980</u>	\$ 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 donor restricted net assets - perpetual.

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, 2021 and 2020, there were no outstanding balances.

L. GOVERNMENT COVID GRANTS

In April 2020, the Corporation received a \$1,005,700 loan from J.P. Morgan through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). A portion or all of the loan may be forgiven by the SBA if certain payroll criteria are met and funds are used for payroll, rent, mortgage interest, or utilities. The first round PPP loan was forgiven and the forgiveness is included in Government COVID grants for the year ending December 31, 2020.

During 2021, the Corporation received a second round of PPP funding of \$1,053,805 with the same terms as the first round of funding. The second round PPP loan was also forgiven and the forgiveness is included in Government COVID grants for the year ending December 31, 2021.

The Corporation has determined it qualifies for refunds under the Employee Retention Credit (ERC) program through the U.S. Department of Treasury, Internal Revenue Service (IRS). The credits cover employment tax quarters in calendar years 2020 and 2021. Included in Government COVID grants are ERC amounts of \$1,073,200 and \$212,000 for the years ending December 31, 2021 and 2020, respectively.

M. 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, This income, which is included in sanction and and coaches. entry fees, is recorded when received and amounted \$1,663,970 and \$622,309, for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, were \$328,593 and \$286,904, respectively. The Corporation's contributions are fully funded.

O. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, the United States Olympic Paralympic Committee (USOPC) provided grants to the Corporation under the following project categories:

	<u>2021</u>	2020
NGB funding High performance operations VIK	\$ 1,785,000 161,000 54,194	\$ 1,730,806 266,158
COVID relief Youth cycling International relations		32,415 15,000 5,369
	\$ 2,000,194	\$ 2,049,748

The USOPC also paid stipends, performance bonuses and tuition support of \$420,000 and \$421,875 directly to athletes or on their behalf during the years ended December 31, 2021 and 2020, respectively.

In addition, at December 31, 2021 and 2020, the Corporation owed the USOPC \$137,834 and \$4,220, respectively. The USOPC owed the Corporation \$0 and \$693, respectively, at December 31, 2021 and 2020.

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.

O. RELATED PARTY TRANSACTIONS - Continued

During the years ended December 31, 2021 and 2020, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$1,611,012 and \$1,565,390, respectively. Also, during the years ended December 31, 2021 and 2020, grant funds in the amount of \$0 and \$4,500, 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, 2021 and 2020, amounted to \$434,646 and \$360,340, 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, 2021 and 2020, \$40,000 was recorded as in-kind services by the USACDF each year.

The USACDF owed the Corporation \$573,614 and \$70,062 at December 31, 2021 and 2020, 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, 2021 and 2020, for the following:

Athlete stipends, prize money, officiating and other $\frac{2021}{$$}$ $\frac{2020}{$$}$

The Corporation also signed an affiliate agreement with an entity whose CEO served on the Corporation's Board through 2020. The Corporation recorded income from the agreement of \$0 and \$120,000 during the years ended December 31, 2021 and 2020, respectively. The Corporation was owed \$0 at December 31, 2021 and 2020.

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 \$2,559,343 and \$1,710,915 for the years ending December 31, 2021 and 2020, 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.

O. 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.

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:

2022	24,828
2023	4,138

Rental expense under operating leases was \$81,874 and \$82,063 during the years ended December 31, 2021 and 2020, respectively.

R. UNCERTAINTIES

The outbreak of a novel strain of coronavirus (COVID-19) 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 uncertainty in global financial markets, temporary closures of many businesses, suspension or cancelation of sporting events, "shelter in place" and other governmental regulations, and job losses. The extent to which the COVID-19 outbreak will continue to affect the operations, collections or financial results of the Corporation and Subsidiary is uncertain.

With the rising cost of inflation and potential risk of recession, it is uncertain what effect these factors may have on operations of the Corporation in the coming year.