



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

Consolidated Financial Statements

For the Year Ended December 31, 2022

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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, 2022, 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, 2022, 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 Responsibilities 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. Reasonable 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.

Emphasis of Matter

As described in Note A to the financial statements, during the year ended December 31, 2022, USA Cycling, Inc. and subsidiary adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and Accounting Standards Update (ASU) 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited USA Cycling, Inc. and subsidiary's December 31, 2021, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
September 15, 2023

USA CYCLING, INC.
USA CYCLING BV
Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Amounts for 2021)

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,204,914	\$ 4,270,236
Short-term investments	7,041,074	8,498,160
Accounts receivable, net	2,073,766	1,516,054
Due from USACDF	2,224,957	573,614
Due from USOPC	251,200	
Inventory	146,109	149,774
Prepaid expenses	<u>224,048</u>	<u>46,627</u>
Total current assets	15,166,068	15,054,465
PROPERTY AND EQUIPMENT - at cost:		
Building and improvements	7,027,205	7,027,205
Land	649,145	649,145
Office furniture and equipment	1,862,363	1,855,688
Training equipment	311,005	296,890
Vehicles	454,457	439,548
Leasehold improvements	355,986	355,986
Less accumulated depreciation	<u>(5,502,146)</u>	<u>(4,921,770)</u>
Property and equipment - net	5,158,015	5,702,692
LONG TERM ASSETS:		
Right-of-use asset	11,801	82,175
Security deposits	<u>10,496</u>	<u>10,496</u>
TOTAL ASSETS	<u>\$ 20,346,380</u>	<u>\$ 20,849,828</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 883,496	\$ 769,264
Accrued liabilities	1,412,705	1,901,018
Insurance litigation reserves - current	535,000	700,000
Deferred revenue - current	2,440,856	2,432,519
Lease liability - current	11,801	70,374
Refundable advance	<u></u>	<u>4,070</u>
Total current liabilities	5,283,858	5,877,245
LONG TERM LIABILITIES:		
Security deposits	15,000	15,000
Lease liability long-term		11,801
Deferred revenue long-term		9,240
Insurance litigation reserves long-term	<u>2,540,702</u>	<u>1,859,343</u>
TOTAL LIABILITIES	7,839,560	7,772,629
NET ASSETS:		
Without donor restrictions	10,386,414	12,901,782
Without donor restrictions - board designated	10,583	10,583
With donor restrictions	<u>2,109,823</u>	<u>164,834</u>
Total net assets	<u>12,506,820</u>	<u>13,077,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,346,380</u>	<u>\$ 20,849,828</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, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
REVENUE:				
Membership dues and fees	\$ 4,853,133	\$	\$ 4,853,133	\$ 4,025,421
Insurance and permitting fees	2,496,526		2,496,526	1,970,514
USOPC grants		2,339,149	2,339,149	1,946,000
USA Cycling Development Foundation grants and management fees, net of expenses of \$447,686 and \$434,646	1,528,419	650,715	2,179,134	1,611,012
Contributions	297,123	1,705,085	2,002,208	508,870
Events	950,331		950,331	1,180,343
Sponsorship, licensing and affinity royalties	572,752		572,752	677,473
Other income, net of expenses of \$129,243 and \$127,014	483,884		483,884	152,281
Value in kind	313,400		313,400	293,754
Investment income net of fees of \$28,028 and \$30,096	(1,408,738)	42	(1,408,696)	1,052,739
Merchandise sales, net of costs of sales of \$64,334 and \$110,967	(4,618)		(4,618)	(38,743)
Government COVID grants				2,127,005
Net assets released from restrictions	<u>2,750,002</u>	<u>(2,750,002)</u>	<u> </u>	<u> </u>
Total revenue	12,832,214	1,944,989	14,777,203	15,506,669
EXPENSES:				
Program services:				
Coaches, training center and athletes	5,587,533		5,587,533	4,011,429
Membership and sanctioning National and international events	5,332,535		5,332,535	6,840,976
	<u>2,183,228</u>	<u> </u>	<u>2,183,228</u>	<u>1,586,885</u>
Total program services	13,103,296		13,103,296	12,439,290
Supporting services:				
National office	1,708,471		1,708,471	960,143
Fundraising	377,459		377,459	304,290
Governance	158,356		158,356	159,247
Total supporting services	<u>2,244,286</u>	<u> </u>	<u>2,244,286</u>	<u>1,423,680</u>
Total expenses	<u>15,347,582</u>	<u> </u>	<u>15,347,582</u>	<u>13,862,970</u>
CHANGE IN NET ASSETS	(2,515,368)	1,944,989	(570,379)	1,643,699
NET ASSETS, beginning of year	<u>12,912,365</u>	<u>164,834</u>	<u>13,077,199</u>	<u>11,433,500</u>
NET ASSETS, end of year	<u>\$ 10,396,997</u>	<u>\$ 2,109,823</u>	<u>\$ 12,506,820</u>	<u>\$ 13,077,199</u>

See Notes to Consolidated Financial Statements

USA CYCLING, INC.
USA CYCLING BV
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Coaches, Training Center & Athletes	Membership & Sanctioning	National & International Events	Merchandise Sales	Total Program Services
Advertising & promotion	\$ 777	\$ 190,268	\$ 4,304		\$ 195,349
Bad debts, net of recoveries					
Bank & credit card processing fees	14,421	21			14,442
Conferences & meetings	21,095	6,059	511		27,665
Consulting & contract fees	676,072	1,185,008	749,724		2,610,804
Cost of merchandise				64,334	64,334
Depreciation	237,181	250,908	42,820		530,909
Dues, subscriptions & fees	43,066	(5,616)	11,762		49,212
Employee benefits	274,876	215,312	102,773		592,961
Fulfillment costs		189,429			189,429
Foreign exchange loss (gain)	740	404	330		1,474
Gear, equipment, clothing & supplies	348,413	14,224	98,172		460,809
Gifts & grants	10,285	2,877			13,162
Insurance	46,026	1,533,176	29,440		1,608,642
Local rebates & promoter incentives		(138,412)			(138,412)
Medals, awards & prizes	162	23,230	24,219		47,611
Occupancy expenses	101,177	16,859	12,549		130,585
Office expense & supplies	3,315	28,691	9,818		41,824
Other expenses	3,300				3,300
Payroll taxes	110,015	86,330	45,424		241,769
Postage	31,140	6,068	6,890		44,098
Professional fees	4,629				4,629
Race entry fees	18,347	5,049			23,396
Rental expense	53,299	1,350	15,669		70,318
Auto expenses	43,420	7,183	42,439		93,042
Salaries	1,448,278	1,207,855	665,376		3,321,509
Small equipment					
Software & hosting	29,507	263,759	4,977		298,243
Taxes & VAT	(11,169)				(11,169)
Telephone & broadband	6,908	6,420	1,459		14,787
Travel	1,899,436	136,074	294,572		2,330,082
Value in kind	172,817	100,009	20,000		292,826
Total expenses	5,587,533	5,332,535	2,183,228	64,334	13,167,630
Less expenses shown net of revenue on statement of activities				(64,334)	(64,334)
Expenses on statement of activities	\$ 5,587,533	\$ 5,332,535	\$ 2,183,228	\$	\$ 13,103,296

	National Office	Fundraising	Governance	Tenant Services	USA Cycling Development Foundation	Total Supporting Services	2022 Total Expenses	2021 Total Expenses
Advertising & promotion	\$ 99	\$ 1,145	\$	\$ 1	\$	\$ 1,245	\$ 196,594	\$ 320,072
Bad debts, net of recoveries								(1,289)
Bank & credit card processing fees	119,435	18		1,206		120,659	135,101	145,870
Conferences & meetings	5,363	587	561	54		6,565	34,230	
Consulting & contract fees	133,054	23,804	7,312	1,404		165,574	2,776,378	2,579,292
Cost of merchandise							64,334	94,756
Depreciation	22,223	4,882	168	60,684		87,957	618,866	674,919
Dues, subscriptions & fees	(11,159)	(1,232)		(113)		(12,504)	36,708	107,657
Employee benefits	101,713	21,472	10,709	900	44,982	179,776	772,737	836,815
Fulfillment costs							189,429	17,058
Foreign exchange loss (gain)	235	53		1,323		1,611	3,085	1,462
Gear, equipment, clothing & supplies	5,977	1,021	597	60		7,655	468,464	321,423
Gifts & grants	3,171	1,557	4,382	32		9,142	22,304	64,885
Insurance	137,084			1,385		138,469	1,747,111	1,966,659
Local rebates & promoter incentives							(138,412)	66,957
Medals, awards & prizes							47,611	82,832
Occupancy expenses	8,913	1,994		50,314		61,221	191,806	117,390
Office expense & supplies	7,255	1,587	187	73		9,102	50,926	43,844
Other expenses	(9,553)			(96)		(9,649)	(6,349)	
Payroll taxes	49,055	19,028	6,850	659	26,443	102,035	343,804	322,147
Postage	7,812	983	220	79		9,094	53,192	110,893
Professional fees	105,955			1,070		107,025	111,654	101,086
Race entry fees	(1,763)		1,881	(18)		100	23,496	57,347
Rental expense	4,238	55		43		4,336	74,654	76,212
Auto expenses							93,042	108,496
Salaries	901,318	273,883	92,452	8,991	376,261	1,652,905	4,974,414	4,475,694
Small equipment							29,653	
Software & hosting	13,383	3,608		135		17,126	315,369	374,132
Taxes & VAT	26					26	(11,143)	(13,882)
Telephone & broadband	1,037	1,885		10		2,932	17,719	36,338
Travel	103,315	20,632	28,537	1,044		153,528	2,483,610	1,123,125
Value in kind	285	497	4,500	3		5,285	298,111	293,754
Total expenses	1,708,471	377,459	158,356	129,243	447,686	2,821,215	15,988,845	14,535,597
Less expenses shown net of revenue on statement of activities				(129,243)	(447,686)	(576,929)	(641,263)	(672,627)
Expenses on statement of activities	\$ 1,708,471	\$ 377,459	\$ 158,356	\$	\$	\$ 2,244,286	\$ 15,347,582	\$ 13,862,970

See Notes to Consolidated Financial Statements

USA CYCLING, INC.
USA CYCLING BV
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Amounts for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (570,379)	\$ 1,643,699
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	618,866	674,919
Gain on disposal of property and equipment	(3,672)	(6,275)
Change in allowance for doubtful accounts	(21,512)	(1,289)
Net unrealized and realized (gains) losses on investments	1,657,232	(865,616)
(Increase) decrease in assets:		
Accounts receivable	(1,821,400)	(25,442)
Other receivables - ERC	1,285,200	(1,073,200)
Due from USACDF	(1,651,343)	(503,552)
Due from USOC	(251,200)	693
Inventory	3,665	(40,550)
Prepaid expenses	(177,421)	143,832
Right-of-use assets	70,374	(82,175)
Increase (decrease) in liabilities:		
Accounts payable & accrued liabilities	(374,081)	1,306,460
Security deposits		
Insurance litigation reserves	516,359	848,428
Deferred revenue	(903)	(142,643)
Lease liabilities	(70,374)	82,175
Refundable advance	(4,070)	
Total adjustments	<u>(224,280)</u>	<u>315,765</u>
Net cash provided (used) by operating activities	(794,659)	1,959,464
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	234,078	587,666
Purchases of investments	(434,223)	(718,872)
Proceeds from sale of property & equipment	3,672	6,275
Acquisition of property & equipment	(74,190)	
Net cash used by investing activities	<u>(270,663)</u>	<u>(124,931)</u>
NET INCREASE (DECREASE) IN CASH	(1,065,322)	1,834,533
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,270,236</u>	<u>2,435,703</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,204,914</u>	<u>\$ 4,270,236</u>

See Notes to Consolidated Financial Statements

USA CYCLING, INC.
USA CYCLING BV

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

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 (\$3,085) and \$1,462 during the years ended December 31, 2022 and 2021, 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, 2021, from which the summarized information was derived.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued additional ASUs which amend and clarify *Topic 842*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Corporation adopted FASB *Topic 842, Leases*, using the modified retrospective approach and utilized all of the available practical expedients with January 1, 2022, as the date of initial adoption.

The adoption had a significant impact on the Corporation's statement of financial position but did not have any impact on the consolidated statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Organizations to restate amounts at January 1, 2022.

Donated Assets, Property and Equipment, and Services

In September 2020, FASB issued ASU 2020-7, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*.

The most significant change is disclosure of Corporation details related to contributed goods and services. The Corporation adopted this ASU as of January 1, 2022.

The Corporation's policy related to donated assets is to utilize the assets given to carry out the mission of the Corporation. If an asset is provided that does not allow the Corporation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Standards - continued

Donated Assets, Property and Equipment, and Services - continued

A substantial number of volunteers donated time to the Corporation's program services; however, the estimated value was not recorded because they did not meet the criteria for recognition described above.

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 amounts from United States Olympic and Paralympic Committee (USOPC).

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, 2022 and 2021, the Corporation did not pay any interest. During the years ended December 31, 2022 and 2021, 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.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable - continued

Outstanding receivables are recorded net of an allowance for doubtful accounts of \$0 and \$21,512 at December 31, 2022 and 2021, respectively.

Gross amounts of accounts receivable from contracts with customers was \$116,996 and \$135,892 as of the beginning and end of the year ended December 31, 2022, 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.

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, 2022 and 2021, amounted to \$618,866 and \$674,919, respectively.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers

Membership Dues Revenue - 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 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 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, the 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 to 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 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.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - continued

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 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 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 September 15, 2023, 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.

Notes to Consolidated Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,204,914	\$ 4,270,236
Short-term investments	7,041,074	8,498,160
Accounts receivable, net	2,073,766	1,516,054
Due from USACDF	2,224,957	573,614
Due from USOPC	<u>251,200</u>	
Total liquid financial assets	14,795,911	14,858,064
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>(2,109,823)</u>	<u>(164,834)</u>
Financial assets available within one year	<u>\$ 12,675,505</u>	<u>\$ 14,682,647</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.

Notes to Consolidated Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

Assets at Fair Value as of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Mutual funds and ETFs	\$ 3,577,968	\$	\$	\$ 3,577,968
Stocks	<u>3,463,106</u>			<u>3,463,106</u>
Total	<u>\$ 7,041,074</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,041,074</u>

Assets at Fair Value as of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Mutual funds and ETFs	\$ 7,450,299	\$	\$	\$ 7,450,299
Stocks	<u>1,047,861</u>			<u>1,047,861</u>
Total	<u>\$ 8,498,160</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,498,160</u>

Notes to Consolidated Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unrealized gains (losses)	\$ (1,701,249)	\$ 661,373
Realized gains	44,019	204,243
Interest and dividends	276,562	217,219
Investment fees	<u>(28,028)</u>	<u>(30,096)</u>
	<u>\$ (1,408,696)</u>	<u>\$ 1,052,739</u>

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Club, membership and permit fees	\$ 2,257,362	\$ 2,321,165
Marketing royalties, sponsorship	183,494	101,438
Other		11,956
Race clean fees		<u>7,200</u>
	<u>\$ 2,440,856</u>	<u>\$ 2,441,759</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, 2022 and 2021, the refundable advances were \$0 and \$4,070, respectively.

F. IN-KIND GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the year ended December 31, 2022, is as follows:

Notes to Consolidated Financial Statements

F. IN-KIND GOODS AND SERVICES - Continued

	<u>2022</u>	<u>2021</u>
Tangible goods:		
Clothing	\$ 166,400	\$ 114,660
Nutrition products	10,000	
Total goods	<u>176,400</u>	<u>114,660</u>
Services		
Insurance brokerage	100,000	100,000
Bicycle services	20,000	
Travel	12,500	79,094
USOPC Museum rent	4,500	
Total services	<u>137,000</u>	<u>179,094</u>
Total goods and services	<u>\$ 313,400</u>	<u>\$ 293,754</u>

The tangible goods and travel are primarily used in the coaches, training center and athletics program. The insurance brokerage services is utilized by membership and sanctioning. The bicycle services are used in the national and international events program and the USOPC Museum rent was used by supporting services.

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, 2022 and 2021, consist of contributions received for the following purposes:

	<u>2022</u>	<u>2021</u>
Sports Performance	\$ 1,949,534	\$
Diversity, equity, & inclusion	83,828	139,123
Youth	50,750	
Trail tune-up	8,731	8,731
	<u>\$ 2,092,843</u>	<u>\$ 147,854</u>

Notes to Consolidated Financial Statements

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, 2022, net assets were released from restrictions for satisfying the following purposes:

	<u>2022</u>
USOPC programs	\$ 2,089,149
Women's programs	228,207
Cyclocross	208,326
Diversity, equity, & inclusion	75,295
Let's Ride	48,531
MTB program	37,725
Youth cycling program	31,250
Junior program	28,754
Other programs	2,723
Armando fund program	<u>42</u>
	<u>\$ 2,750,002</u>

I. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL

Net assets with perpetual donor restrictions at December 31, 2022 and 2021, 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, 2022 and 2021, the underlying assets of the endowment fund are included in the statement of financial position as cash.

Notes to Consolidated Financial Statements

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 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, 2022, 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, 2021	\$	\$ 16,980	\$ 16,980
Investment income	42		42
Expenditures	<u>(42)</u>	<u></u>	<u>(42)</u>
Endowment net assets, December 31, 2021	\$	\$ 16,980	\$ 16,980
Investment income	42		42
Expenditures	<u>(42)</u>	<u></u>	<u>(42)</u>
Endowment net assets, December 31, 2022	<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 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.

Notes to Consolidated Financial Statements

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, 2022 and 2021, there were no outstanding balances.

L. GOVERNMENT COVID GRANTS

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 \$0 and \$1,073,200 for the years ending December 31, 2022 and 2021, 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, and coaches. This income, which is included in sanction and entry fees, is recorded when received and amounted to \$2,163,966 and \$1,663,970, for the years ended December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

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, 2022 and 2021, were \$250,741 and \$328,593, respectively. The Corporation's contributions are fully funded.

O. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, the United States Olympic and Paralympic Committee (USOPC) provided grants to the Corporation under the following project categories:

	<u>2022</u>	<u>2021</u>
NGB funding	\$ 1,938,829	\$ 1,785,000
Other restricted grants	250,000	
High performance operations	140,000	161,000
VIK	17,000	54,194
International relations	<u>10,320</u>	
	<u>\$ 2,356,149</u>	<u>\$ 2,000,194</u>

The USOPC also paid stipends, performance bonuses and tuition support of \$420,000 directly to athletes or on their behalf during each of the years ended December 31, 2022 and 2021.

In addition, at December 31, 2022 and 2021, the Corporation owed the USOPC \$0 and \$137,834, respectively. The USOPC owed the Corporation \$251,200 and \$0, respectively, at December 31, 2022 and 2021.

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.

Notes to Consolidated Financial Statements

O. RELATED PARTY TRANSACTIONS - Continued

During the years ended December 31, 2022 and 2021, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$2,179,134 and \$1,611,012, respectively.

The Corporation also provided administrative services to the USACDF. Total gross revenue for these services for the years ended December 31, 2022 and 2021, amounted to \$447,686 and \$434,646, 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, 2022 and 2021, \$40,000 was recorded as in-kind services by the USACDF each year.

The USACDF owed the Corporation \$2,224,957 and \$573,614 at December 31, 2022 and 2021, 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, 2022 and 2021, for the following:

	<u>2022</u>	<u>2021</u>
Athlete stipends, prize money, officiating and other	\$ <u>23,061</u>	\$ <u>49,394</u>

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

Notes to Consolidated Financial Statements

P. CONTINGENCIES

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

The Corporation has accrued \$3,075,702 and \$2,559,343 for the years ending December 31, 2022 and 2021, 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.

Q. LEASES

The Corporation assesses whether an arrangement qualifies as a lease at inception and only reassess its determination if the terms and conditions of the arrangement are changed. As the Corporation's leases do not provide an implicit rate, the Corporation uses the risk-free discount rate based on the five-year Treasury bond rate as of the later of the date of adoption of the lease standard or the initial date of lease term in determining the present value of lease payments in determination of the respective right-of-use (ROU) assets and liabilities.

Under 2016-02, the Corporation has made an accounting policy election to apply the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with a term of 12 months or less that do not include an option to purchase the underlying asset, are not recorded on the balance sheet as ROU assets or lease liabilities. The Corporation has selected to expense the cost of the short-term leases on the straight-line basis in the accompanying Statement of Activities.

The Corporation has 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 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. The lease expired February, 2023 and is continuing month-to-month while a new lease is negotiated. During 2022, the monthly rent averaged \$5,910 after converting from Euros.

Notes to Consolidated Financial Statements

Q. LEASES - Continued

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

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

	<u>2022</u>
Operating lease rent, included in:	
Program service expenses	\$ <u>70,917</u>
Total lease cost	\$ <u>70,917</u>

The following summarizes lease term and discount rate for operating leases as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating Leases:		
Weighted Average Remaining Lease Term	0.167 years	1.167 years
Weighted Average Discount Rate	1.26%	1.26%

Maturities of operating leases as of the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
2022	\$	\$ 70,917
2023	<u>11,820</u>	<u>11,820</u>
Total lease payments	11,820	82,737
Less: interest	<u>(19)</u>	<u>(562)</u>
Present value of lease liabilities	<u>\$ 11,801</u>	<u>\$ 82,175</u>

Supplemental cash flow information for the year ended December 31, 2022:

	<u>2022</u>
Operating cash flows:	
Cash paid for amounts included in measurement of lease liabilities for operating leases	\$ <u>61,622</u>

Notes to Consolidated Financial Statements

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.