

U.S. SPEEDSKATING

Financial Statements

For the Years Ended May 31, 2016 and 2015

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CERTIFIED PUBLIC ACCOUNTANTS

Russell E. Anderson, CPA
Russ Bradshaw, CPA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors
U.S. Speedskating
Kearns, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of U.S. Speedskating (Organization), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2016 and 2015, the results of its activities, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

s/Anderson Bradshaw PLLC
Salt Lake City, Utah
September 13, 2016

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U.S. Speedskating
Statements of Financial Position
May 31, 2016 and 2015

Assets

	5/31/16	5/31/2015
Current assets:		
Cash	\$ 43,606	\$ 106,658
Receivables, net of allowance for doubtful accounts of \$0 (Note 1)	86,894	30,703
Inventory	0	0
Prepays and other current assets	43,844	23,076
Total current assets	174,344	160,437
Property and equipment:		
Timing System	88,892	85,342
Computers	79,339	72,579
Performance Pool Equipment	365,183	310,253
Other	95,585	93,327
Total property and equipment	628,999	561,501
Less accumulated depreciation	(461,343)	(429,799)
Net property and equipment	167,656	131,702
Restricted Cash (Note 9)		
Temporarily restricted cash	2,541	2,541
Permanently restricted cash	3,624	3,624
Total restricted cash	6,165	6,165
Total assets	\$ 348,165	\$ 298,304

See accompanying notes to financial statements.

U.S. Speedskating
Statements of Financial Position
May 31, 2016 and 2015

Liabilities and Net Assets (Deficit)

Current liabilities:	5/31/2016	5/31/2015
Accounts payable	\$ 201,003	\$ 207,061
Accrued liabilities	133,339	203,185
Deferred revenue	101,235	140,125
Short-term loan	150,000	225,000
Current portion of note payable (Note 7)	0	0
Total current liabilities	<u>585,577</u>	<u>775,371</u>
Long-term liabilities:		
Note payable (Note 7)	0	0
Total liabilities	<u>585,577</u>	<u>775,371</u>
Net Assets:		
Unrestricted net assets	(243,577)	(483,232)
Temporarily restricted net assets	3,624	2,541
Permanently restricted net assets	2,541	3,624
Net assets (deficit)	<u>(237,412)</u>	<u>(477,067)</u>
Total liabilities and net assets (deficit)	<u>\$ 348,165</u>	<u>\$ 298,304</u>

See accompanying notes to financial statements.

**U.S. Speedskating
Statements of Activities
Years ended May 31, 2016 and 2015**

Revenues:	5/31/2016	5/31/2015
USOC high performance grant	\$ 2,273,358	\$ 2,150,686
USOC Direct Athlete Support	246,000	190,000
UAF Athletic Facility Use	290,000	290,000
Sports/membership-development events	204,366	157,833
Elite events	244,600	193,983
Sponsorship/Marketing/Media	426,564	618,608
Fundraising	146,931	100,632
USISA earnings	150,000	224,728
Other revenue	146,421	97,641
Total revenues	4,128,240	4,024,111
Expenses:		
High Performance	2,801,695	2,662,002
Sports/membership-development events	184,930	235,800
Elite events	317,335	317,935
Sponsorship/Marketing/Media	187,992	181,162
Fundraising	39,003	53,686
Other expense	357,978	348,417
Total expenses	3,888,933	3,799,002
Operating income	239,307	225,109
Other income and expenses:		
Interest income	348	483
Total other income and expenses	348	483
Change in net assets	\$ 239,655	\$ 225,592

See accompanying notes to financial statements.

U.S. Speedskating
Statements of Changes in Net Assets
Years ended May 31, 2016 and 2015

	<u>5/31/2016</u>	<u>5/31/2015</u>
Beginning Balance	\$ (477,067)	\$ (702,460)
Distributions from temporarily restricted assets	0	0
Distributions from permanently restricted assets	0	(198)
General Fund	0	(1)
Change in net assets	239,655	225,592
Balance, May 31, 2015 and 2014	<u>\$ (237,412)</u>	<u>\$ (477,067)</u>

See accompanying notes to financial statements.

U.S. Speedskating
Statements of Cash Flows
Years ended May 31, 2016 and 2015

Reconciliation of change in net assets

to net cash flows from operating activities:

	5/31/2016	5/31/2015
Change in net assets	\$ 239,655	\$ 225,592
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,544	26,210
Interest earned used to offset note payable	0	(123,230)
Debt cancellation - related party	0	(27,571)
Bad debt expense	0	10,200
Decrease (increase) in:		
Accounts receivable	(56,191)	622
Prepaid and other current assets	(20,768)	11,660
Increase (decrease) in:		
Accounts payable	(6,058)	(235,275)
Accrued liabilities	(69,846)	2,127
Deferred revenue	(38,890)	130,285
Net cash provided by operating activities	79,446	20,620
Cash flows from investing activities:		
Decrease of restricted funds	0	199
Purchases of property and equipment	(67,498)	(110,772)
Net cash used in investing activities	(67,498)	(110,573)
Cash flows from financing activities:		
Repayments of short-term loan	(225,000)	(300,000)
Proceeds from short-term loan	150,000	225,000
Net cash used in financing activities	(75,000)	(75,000)
Net increase (decrease) in cash	(63,052)	(164,953)
Cash and cash equivalents at beginning of year	106,658	271,611
Cash and cash equivalents at end of year	\$ 43,606	\$ 106,658

Supplemental Disclosure of Cash Flow Information:

Cash paid during year for:

Interest	\$ 14,436	\$ 10,945
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See accompanying notes to financial statements.

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

U.S. Speedskating (the Organization) is a Missouri nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Its purpose is to act as the national governing body for the sport of speedskating on ice in the United States, to advance amateur athletic competition within the United States, and to act for persons in the United States who are interested in the sport of speedskating. The Organization is a member of the United States Olympic Committee (“USOC”), from whom it received the majority of its public support.

Basis of Presentation

The Organization presents its financial statements in accordance with Accounting Standards Codification (ASC) 958, “*Not-For-Profit Entities*”. ASC 958 requires information regarding financial position and activities to be reported in three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

A description of these categories follows:

Unrestricted Net Assets: Includes the net assets that are free of donor-imposed restrictions and are neither permanently restricted nor temporarily restricted.

Temporarily Restricted Net Assets: Includes the net assets from contributions or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled or removed by actions of the Organization.

Permanently Restricted Net Assets: Includes the net assets from contributions or other inflows where the use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activity as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers unrestricted investment instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents at May 31, 2016 and May 31, 2015 consist of unrestricted cash.

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that may change in the near term include fair value of long-lived assets and related impairment, if any.

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Support and revenue are recorded on the accrual basis. Amounts pledged to the Organization are recorded as income and a receivable at the time the pledge is made. Sales and winnings income are recorded upon shipment or when a qualified event is won by a qualified athlete. Payments received in advance of when deemed earned are deferred until earned.

Non-Profit Status

The Organization has received a determination letter from the Internal Revenue Service dated September 1966, stating that it is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Tax years ended May 31, 2012 through May 31, 2016 remain subject to examination by major tax jurisdictions.

Receivables

Receivables represent reimbursable amounts due from sponsors. The total accounts receivable consist of \$86,894 and \$30,703 net trade receivables as of 5/31/16 and 5/31/15 respectively. The receivables are charged to bad debt expense when an amount is determined to be potentially uncollectible based on periodic review of accounts by management. The Organization charged \$0 and \$10,200 to bad debt expense during the years ended May 31, 2016 and May 31, 2015 respectively.

Property and Equipment

Property and equipment is recorded at cost when purchased and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. Donated equipment is recorded at fair value, which is generally determined by a donation agreement. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred. The Organization does not have a formal capitalization policy.

The useful lives of property and equipment for purposes of computing depreciation are:

Timing system	3 years
Performance pool equipment	5 years
Computers	3 years
Other	3-20 years

Recently Issued Accounting Pronouncements

The Organization has reviewed all recently issued accounting pronouncements for the year ended May 31, 2015, and has determined that none of the recently issued accounting pronouncements will have a material effect on the fair presentation of these financial statements.

Inventories

Inventory consists of donated clothing and shoe apparel that is generally 1-3 years old. All excess apparel not used by athletes is recorded as inventory at the lower of basis (if donated) or cost or market. Inventory quantities on-hand are regularly reviewed and reserves for excess and unusable inventories are recorded, if any. Inventories as of May 31, 2016 and May 31, 2015 were \$0.

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

NOTE 2 – CASH DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Organization's deposits may not be returned. At May 31, 2016 and 2015, the carrying amount of the Organization's deposits were \$43,606 and \$106,658 respectively and the bank balances were \$79,045 and \$130,702 respectively. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts which the Organization pays in the event of any loss. The Organization also has purchased a workers' compensation policy.

NOTE 4 - CONCENTRATIONS

A significant portion of the Organization's revenue is received from one relationship. During the year ended May 31, 2016 and May 31, 2015, approximately 68% and 58%, respectively, of the Organization's revenues were provided by one entity and approximately 59% and 90% of the Organization's accounts receivable balance as of 5/31/16 and 5/31/15 was comprised of one entity.

NOTE 5 – RETIREMENT PLAN

The Organization has a SIMPLE IRA plan. Contributions paid for the years ended May 31, 2016 and May 31, 2015 were \$30,144 and \$21,312 respectively. All employees of the Organization who work 1,080 hours per year and are 21 years of age or older are eligible for the plan. To be eligible for matching contributions, the employees must be full time and be making contributions of their own to the plan.

NOTE 6 – SHORT-TERM NOTE PAYABLE

The Organization received a short-term advance from the U.S.I.S.A. Charitable Fund in the amount of \$150,000 and \$225,000 during the years ended 5/31/16 and 5/31/15 respectively. The unpaid principal balance shall bear interest at a fixed rate of zero percent (0.0%) per annum. From and after the maturity date, the unpaid balance shall bear interest at a fixed rate of ten percent (10.0%) per annum. The entire principal balance, together with all accrued interest and any other amounts payable, shall be due and payable in full on or before November 30, 2016 and November 15, 2015 respectively, which are the maturity dates.

NOTE 7 – NOTE PAYABLE

In the past, the Organization had received advances from the U.S.I.S.A. Charitable Fund. These advances were being offset by the realized gains and dividends of the earnings on the investments held in the U.S.I.S.A. Charitable Fund. The Organization repaid \$0 and \$123,230 of the advances with investment earnings for the years ended May 31, 2016 and May 31, 2015 respectively. Amounts estimated to be offset with investment earnings over the short-term had been classified as current portion, and earnings used to reduce the note payable were recorded in other revenue. As of December 31, 2014, the balance of unpaid advances was \$27,373. The U.S.I.S.A. Charitable Fund Board of Directors, on February 4, 2015, approved the forgiveness of that amount with no further obligation of payment as of December 31, 2014. That amount is treated as revenue and included in the USISA Earnings line item of the statements of activities.

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Organization is renting space from the Utah Athletic Foundation, Inc. at the location of the Utah Olympic Oval on a month-to-month basis. Monthly rent is \$2,050. Rent expense was \$24,600 for the years ended May 31, 2016 and May 31, 2015 respectively.

On December 20, 2013, the Organization entered into a partnership agreement with Pettit National Ice Center Inc. (“PNIC”) to help grow and promote the sport of speedskating. The partnership agreement terminates on April 30, 2018, unless either party wishes to terminate the agreement and then a one year notification period must be given, in writing, regarding the intent to terminate.

As part of the partnership agreement, the Organization will contribute annually to a high performance development, talent I.D/recruitment program and regional high performance development program based at the PNIC and supported by a partnership between the PNIC, the Organization and USOC known as the Academy for Skating Excellence (ASE). In support of the ASE, the Organization shall allocate on a yearly basis and make available to the PNIC the following payments:

- For the 2013/2014 season, \$110,000 payable in four quarterly installments beginning on July 15th (this amount has been paid in full).
- For the 2014/2015 season, \$90,000 payable in four quarterly installments beginning on August 20 (this amount has been paid in full).
- For the 2015/2016 season, \$75,000 payable in four quarterly installments beginning on August 20th : The Organization committed to maintain the 2015/16 season at \$90,000 under the same payment terms with no obligation to alter future payments under the agreement. Later, the PNIC agreed to reduce the current payment to \$80,000 due to positive cost management which was paid in full.
- For the 2016/2017 season, \$60,000 payable in four quarterly installments beginning on August 20th
- For the 2017/2018 season, \$50,000 payable in four quarterly installments beginning on August 20th

NOTE 9 – TEMPORARILY AND PERMANENTLY RESTRICTED FUNDS

The Organization has funds available with certain donor-imposed restrictions. The balances are as follows:

Temporarily restricted	<u>05/31/16</u>	<u>05/31/15</u>
Gold Council Fund	\$ 2,541	\$ 2,541
Less funds used by former Olympians	<u>0</u>	<u>0</u>
Total Temporarily Restricted	<u>\$ 2,541</u>	<u>\$ 2,541</u>

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

NOTE 9 – TEMPORARILY AND PERMANENTLY RESTRICTED FUNDS (continued)

Permanently restricted		<u>05/31/16</u>	<u>05/31/15</u>
George Howie Award Fund – Where interest earned is used for awards	\$	3,624	\$ 3,822
Less interest utilized for awards		0	(198)
Total permanently restricted	\$	<u>3,624</u>	<u>\$ 3,624</u>

NOTE 10 – GOING CONCERN CONSIDERATIONS

Management has evaluated the Organization’s ability to continue as a going concern. During the year ended 5/31/14 and since, the Organization continues to implement good business policies and procedures including the following change strategies which created a more effective and efficient operational and business environment, a net surplus in excess of \$200,000 for the fiscal years ended 5/31/16 and 5/31/15 respectively and \$80,000 for fiscal year ended 5/31/14, and opportunities for the future.

New Bylaws created, for the first time, a Board of Directors lead, staff-driven organization. The Board of Directors now consists of a small group of highly experienced endemic and independent sport/business leaders who put in place new, professional staff leadership.

Staff has developed both short term (1 year) and long term (5 year) strategic plans, implemented a detailed monthly forecasting process, established athletic/business accountability by department and implemented internal controls to ensure the safekeeping of Organizational assets.

A first-ever private donor development plan has been established to augment existing revenue streams. New “sponsor” events have been created (Olympic Trials; Apolo Ohno Invitational) to enhance sponsor opportunities.

These changes coupled with continued support from the United States Olympic Committee and the Organization’s charitable foundation (U.S.I.S.A) ensure the Organization continuing as a going concern.

NOTE 11 – STATEMENT OF FUNCTIONAL EXPENSES

Below is the Organization’s Statement of Functional Expenses for the years ended May 31, 2016 and 2015 as required by ASC 958 “*Not-for-Profit Entities*”.

	<u>2015/16</u>			
	<u>Total</u>	<u>Program</u>	<u>Mngt/General</u>	<u>Fundraising</u>
Direct athlete funding	\$ 337,316	\$ 337,316	\$ -	\$ -
Competition support	199,872	199,872	-	-
Training	493,238	493,238	-	-
Outside services	364,773	336,061	24,622	4,090
Administrative expenses	1,526,314	1,132,935	363,868	29,511
Legal	22,992	9,149	13,843	-
Uniforms and apparel	113,751	95,496	18,255	-
Travel	655,224	612,989	38,054	4,181
Insurance	81,389	40,716	40,673	-
Gifts and awards	30,872	26,872	2,780	1,220
Other expenses	31,649	29,226	2,423	-
Depreciation	31,543	27,508	4,035	-
Total expenses	\$ <u>3,888,933</u>	\$ <u>3,341,377</u>	\$ <u>508,553</u>	\$ <u>39,002</u>
	<u>100.0%</u>	<u>85.9%</u>	<u>13.1%</u>	<u>1.0%</u>

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

		<u>2014/15</u>			
	<u>Total</u>	<u>Program</u>	<u>Mngt/General</u>	<u>Fundraising</u>	
Direct Athlete Funding	\$ 259,000	\$ 259,000	\$ -	\$ -	
Competition Support	198,482	198,482	-	-	
Training	535,509	535,509	-	-	
Travel	651,700	595,522	53,729	2,449	
Uniforming	236,849	230,264	6,585	-	
Gifts and Awards	40,075	29,104	3,929	7,042	
Insurance	80,661	40,139	40,522	-	
Administrative Expenses	1,441,369	1,113,277	309,274	18,818	
Outside Services	275,386	185,064	75,215	15,107	
Legal	13,121	4,279	8,842	-	
Depreciation Exp	26,210	24,345	1,865	-	
Interest/Fees/Bad Debt	40,640	24,191	6,179	10,270	
	<u>\$ 3,799,002</u>	<u>\$ 3,239,176</u>	<u>\$ 506,140</u>	<u>\$ 53,686</u>	
	100.0%	85.3%	13.3%	1.4%	

NOTE 12 – SUBSEQUENT EVENTS

ASC 855-16-50-4 establishes accounting and disclosure requirements for subsequent events. ASC 855 details the period after the balance sheet date during which we should evaluate events or transactions that occur for potential recognition or disclosure in the financial statements, the circumstances under which we should recognize events or transactions occurring after the balance sheet date in our financial statements and the required disclosures for such events. We have evaluated all subsequent events through September 13, 2016, the date these financial statements were available to be issued and no subsequent events occurred that required disclosure.

Note 13- DIRECT ATHLETE SUPPORT

Beginning with the fiscal year ended 5/31/15, the Organization has included in income and in expense in exactly the same, offsetting amounts, funds dedicated to directly supporting elite athletes in the amount of \$246,000 and \$190,000 respectively for the years ended 5/31/16 and 5/31/15. This strategy of providing Direct Athlete Support, which is the name of the program, is an important strategy of the Organization and is supported by the USOC. The athletes and amounts paid to each athlete are based on a very detailed criteria established by the Organization and approved by the USOC.

Note 14- UAF ATHLETIC FACILITY USE

Beginning with the fiscal year ended 5/31/15, the Organization has included in income and in expense in exactly the same, offsetting amounts, the value of services and facility usage provided by the Utah Athletic Foundation (“UAF”) as determined by a 3-way agreement between the USOC, the Organization and the UAF. The value of such services and facility usage as determined by the 3-way agreement for the years ended 5/31/16 and 5/31/15 was \$290,000.

U.S. Speedskating
Notes to Financial Statements
Years Ended May 31, 2016 and 2015

Note 15 – HEALTH INSURANCE BENEFITS

For many years, the Organization has also established criteria for elite athletes to receive Elite Athlete Health Insurance which is a program funded and operated by the USOC. It provides important health insurance benefits to athletes and allows them to not have to obtain health insurance in the individual marketplace. Because this program is self-funded by the USOC, the value of this benefit is not readily discernible. This benefit is available to the athletes only through the relationship between the Organization and the USOC.

Note 16 – MEDICAL VALUE IN KIND

Beginning with the fiscal year ended 5/31/16, the Organization has included in income and in expense in exactly the same offsetting amounts, the value of services provided by the Organization's medical director on a volunteer basis which would need to be replaced if not available in this manner. The value of \$85,000 is an estimate and the amount for 2015 has been reclassified to agree to the 2016 presentation.