US Speedskating
Audit Committee Meeting
New Training Center / Financial Lease Discussion
8/30/19

Conference call with the Audit Committee called to discuss and get feedback for a decision to early adopt a generally accepted accounting principle presented by the Independent Auditors regarding the treatment of the monies spent towards the building of and future lease payments for the new US Speedskating ("USS") training center. The purpose was to ensure full thought and transparency were utilized in making the decision to early adopt.

In attendance: Dale Schoon - USS Finance Director, Mark Carleton - USS President; Andy Kelly – USS Audit Chair; and audit committee members; Beth Jurgensmeyer, Tom Bostley, Matt Plummer. Athlete Rep Thomas Hong was invited but unable to attend.

Mr. Schoon presented the background:
In March 2017, US Speedskating entered into an agreement with Salt Lake County, the State of Utah, Kearns Recreational Center and the Utah Olympic Legacy Foundation to build a new, state-of-the-art conference and recreation center that included a training center dedicated to housing USS' strength and conditioning, medical, nutrition and other high performance activities along with locker rooms for the athletes. US Speedskating's financial commitment to the project was $1,000,000. The USOC provided a one-time grant of $500,000 to USS and USS paid $300,000 of its own resources in May 2018 and $200,000 in November, 2018.

In December of 2018, USS began using the facility and paying rent under the terms of a lease beginning December 1, 2018 (date of occupancy) and ending April 30, 2030 with three extension periods of 12 years, making it close to a 48-year lease.

In February 2016, FASB issued ASC Topic 842, Leases, as part of ASU 2016-02. The effective date for USS to implement was for its fiscal year beginning June 1, 2020. However, FASB recently proposed pushing that date back by one more year.

If early adopted, the new lease would be treated as a financing lease since USS would occupy the building for a substantial majority of the building's remaining economic life. If early adopted USS would capitalize rather than expense its $500,000 total payment to the project. This would be a restatement of the financial statements issued for year ended 5/31/18. The $300,000 paid during for year end 5/18 and the $200,000 paid during for year end 5/19 would be considered as additional direct costs of the lease incurred. The $500,000 would be amortized to expense over the approximate 48 years of the lease. If early adopted, amortization and interest expense would exceed rent expense by about $27,000 for FYE 2020 because the lease would be capitalized and amortized and a liability of about $1.3 million would be recorded on the balance sheet in FYE 5/19.

If ASC Topic 842 is not early adopted, the $200,000 paid in FYE 5/2019 would be expensed, consistent with the treatment of the $300,000 paid the prior year. Yearly rent expense of $55,000 would be recorded until ASC Topic 842 is adopted. With that being said, as early as

June 1, 2020, USS would need to adopt and treat the transaction(s) as detailed in the “early adopt” scenario above.

Discussion:
Prior to the conference call, Mr. Schoon had distributed a background summary and the effects of both sides of the decision through proforma financial statements. Dale explained those effects and discussion ensued. Clarifications were made and questions were answered to everyone’s satisfaction.

Outcome:
The group in attendance offered unanimous support for early adoption and treating the transaction(s) as a financing lease.