



**UNITED STATES FIGURE SKATING
ASSOCIATION AND AFFILIATES**

**Consolidated Financial Statements
For the Years Ended June 30, 2019 and 2018,
Supplemental Schedules
For the Year Ended June 30, 2019
And
Independent Auditors' Report**

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Figure Skating Association

We have audited the accompanying consolidated financial statements of United States Figure Skating Association and Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and the consolidated statement of functional expenses for the year ended June 30, 2019.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Figure Skating Association and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019 United States Figure Skating Association and Affiliates adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Stockman Kast Ryan + Co, LLP

December 4, 2019

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,210,124 | \$ 2,332,173 |
| Investments | 88,770,874 | 89,044,699 |
| Accounts receivable | 1,589,041 | 619,936 |
| Dividends receivable | 125,126 | |
| Promises to give | 281,000 | 281,000 |
| Inventory | 234,732 | 197,658 |
| Prepaid expenses and other assets | 616,069 | 553,855 |
| Property and equipment, net | 5,663,241 | 4,407,518 |
| Historical artifacts | <u>688,261</u> | <u>688,261</u> |
| TOTAL ASSETS | <u>\$ 99,178,468</u> | <u>\$ 98,125,100</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 3,226,244 | \$ 3,990,123 |
| Deferred revenue | <u>1,991,627</u> | <u>2,210,606</u> |
| Total liabilities | <u>5,217,871</u> | <u>6,200,729</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 6,049,547 | 5,095,779 |
| Board-designated for reserves | 73,270,407 | 72,240,068 |
| Board-designated for skaters | <u>11,208,451</u> | <u>11,385,578</u> |
| Total without donor restrictions | 90,528,405 | 88,721,425 |
| With donor restrictions | <u>3,432,192</u> | <u>3,202,946</u> |
| Total net assets | <u>93,960,597</u> | <u>91,924,371</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 99,178,468</u> | <u>\$ 98,125,100</u> |

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | | | 2018 | | |
|--|----------------------------------|-------------------------------|----------------------|----------------------------------|-------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE, GAINS AND OTHER SUPPORT | | | | | | |
| Dues, admissions and activity fees | \$ 7,440,667 | | \$ 7,440,667 | \$ 6,938,193 | | \$ 6,938,193 |
| Broadcasting and licensing | 5,514,580 | | 5,514,580 | 6,568,065 | | 6,568,065 |
| Net investment income | 4,886,050 | \$ 125,967 | 5,012,017 | 7,334,278 | \$ 198,972 | 7,533,250 |
| Skating events and sponsorships | 4,056,230 | | 4,056,230 | 3,620,996 | | 3,620,996 |
| USOPC and PSA grants | 1,443,011 | | 1,443,011 | 1,289,435 | | 1,289,435 |
| Contributions | 235,183 | 150,418 | 385,601 | 659,470 | 111,415 | 770,885 |
| Publications | 174,623 | | 174,623 | 197,619 | | 197,619 |
| Net assets released from restrictions | <u>47,139</u> | <u>(47,139)</u> | | <u>40,649</u> | <u>(40,649)</u> | |
| Total revenue, gains and other support | <u>23,797,483</u> | <u>229,246</u> | <u>24,026,729</u> | <u>26,648,705</u> | <u>269,738</u> | <u>26,918,443</u> |
| EXPENSES | | | | | | |
| Program services: | | | | | | |
| Development and support of athletes | 7,453,628 | | 7,453,628 | 6,968,881 | | 6,968,881 |
| Skating events | 6,738,720 | | 6,738,720 | 8,293,809 | | 8,293,809 |
| Membership activities and services | 2,593,072 | | 2,593,072 | 2,956,000 | | 2,956,000 |
| Governance and judging | 883,995 | | 883,995 | 654,278 | | 654,278 |
| Publications | <u>532,684</u> | | <u>532,684</u> | <u>532,333</u> | | <u>532,333</u> |
| Total program services | <u>18,202,099</u> | <u>—</u> | <u>18,202,099</u> | <u>19,405,301</u> | <u>—</u> | <u>19,405,301</u> |
| Supporting services: | | | | | | |
| Management and general | 2,741,717 | | 2,741,717 | 2,447,513 | | 2,447,513 |
| Donor development | <u>1,046,687</u> | | <u>1,046,687</u> | <u>1,373,024</u> | | <u>1,373,024</u> |
| Total supporting services | <u>3,788,404</u> | <u>—</u> | <u>3,788,404</u> | <u>3,820,537</u> | <u>—</u> | <u>3,820,537</u> |
| Total expenses | <u>21,990,503</u> | <u>—</u> | <u>21,990,503</u> | <u>23,225,838</u> | <u>—</u> | <u>23,225,838</u> |
| CHANGE IN NET ASSETS | 1,806,980 | 229,246 | 2,036,226 | 3,422,867 | 269,738 | 3,692,605 |
| NET ASSETS, Beginning of year | <u>88,721,425</u> | <u>3,202,946</u> | <u>91,924,371</u> | <u>85,298,558</u> | <u>2,933,208</u> | <u>88,231,766</u> |
| NET ASSETS, End of year | <u>\$ 90,528,405</u> | <u>\$ 3,432,192</u> | <u>\$ 93,960,597</u> | <u>\$ 88,721,425</u> | <u>\$ 3,202,946</u> | <u>\$ 91,924,371</u> |

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | | | | | | Supporting Services | | | |
|--------------------------------------|-------------------------------------|---------------------|------------------------------------|------------------------|-------------------|----------------------|------------------------|---------------------|---------------------|----------------------|
| | Development and Support of Athletes | Skating Events | Membership Activities and Services | Governance and Judging | Publications | Total | Management and General | Donor Development | Total | Total |
| Athlete programs | \$ 3,084,422 | \$ 3,540,686 | \$ 636,431 | \$ 198,716 | \$ 1,233 | \$ 7,461,488 | | | | \$ 7,461,488 |
| Salaries benefits and contract labor | 1,001,481 | 1,284,287 | 681,594 | 173,806 | | 3,141,168 | \$ 1,312,032 | \$ 768,456 | \$ 2,080,488 | 5,221,656 |
| Travel | 1,532,205 | 1,391,162 | | 343,274 | 41,244 | 3,307,885 | | | | 3,307,885 |
| Grants and awards | 1,716,153 | 243,968 | 137,531 | 3,075 | 2,119 | 2,102,846 | | 71,750 | 71,750 | 2,174,596 |
| Depreciation and amortization | | | | | | | 645,147 | | 645,147 | 645,147 |
| Marketing and fundraising | 5,905 | 158,193 | 268,962 | | 2,210 | 435,270 | 248 | 158,497 | 158,745 | 594,015 |
| Safe sport compliance | 31,640 | | 290,628 | 90,596 | | 412,864 | | | | 412,864 |
| Insurance | 7,058 | | 287,674 | | | 294,732 | 101,168 | | 101,168 | 395,900 |
| Information technology | 1,286 | | | 6,310 | 75,117 | 82,713 | 241,423 | | 241,423 | 324,136 |
| Shipping and postage | 897 | 23,197 | 17,093 | 2,023 | 186,842 | 230,052 | 4,641 | 599 | 5,240 | 235,292 |
| Printing | | 28,649 | | 2,254 | 188,442 | 219,345 | | | | 219,345 |
| Cost of goods sold | | | 153,935 | | | 153,935 | | | | 153,935 |
| Meetings and seminars | 8,805 | | 87,146 | 29,543 | | 125,494 | 9,250 | | 9,250 | 134,744 |
| Building maintenance | 13,997 | 17,585 | 10,887 | | | 42,469 | 62,489 | 9,331 | 71,820 | 114,289 |
| Professional fees | | | | | | | 134,067 | | 134,067 | 134,067 |
| Telephone | 15,026 | 15,012 | 4,741 | 10,810 | 520 | 46,109 | 24,189 | 5,411 | 29,600 | 75,709 |
| Communications and publications | 17,145 | | | | 34,957 | 52,102 | | 21,405 | 21,405 | 73,507 |
| Occupancy | | | | | | | 59,059 | | 59,059 | 59,059 |
| Utilities | 9,171 | 11,209 | 7,133 | | | 27,513 | 20,380 | 6,114 | 26,494 | 54,007 |
| Supplies | 2,190 | 4,257 | 1,464 | 23,588 | | 31,499 | 12,229 | 1,261 | 13,490 | 44,989 |
| Other | 6,247 | 20,515 | 7,853 | | | 34,615 | 115,395 | 3,863 | 119,258 | 153,873 |
| Total | \$ 7,453,628 | \$ 6,738,720 | \$ 2,593,072 | \$ 883,995 | \$ 532,684 | \$ 18,202,099 | \$ 2,741,717 | \$ 1,046,687 | \$ 3,788,404 | \$ 21,990,503 |
| Percent of total | 34% | 31% | 12% | 4% | 2% | 83% | 12% | 5% | 17% | 100% |

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,036,226 | \$ 3,692,605 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 645,147 | 475,568 |
| Realized and unrealized gains | (3,523,494) | (6,474,394) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (969,105) | 604,156 |
| Dividends receivable | (125,126) | |
| Inventory | (37,074) | 28,805 |
| Prepaid expenses and other assets | (62,214) | (15,080) |
| Accounts payable and accrued expenses | (763,879) | 1,234,640 |
| Deferred revenue | <u>(218,979)</u> | <u>395,401</u> |
| Net cash used in operating activities | <u>(3,018,498)</u> | <u>(58,299)</u> |
| INVESTING ACTIVITIES | | |
| Purchases of investments | (16,797,286) | (23,528,168) |
| Sales of investments | 20,594,605 | 25,403,519 |
| Purchases of property and equipment | <u>(1,900,870)</u> | <u>(1,257,565)</u> |
| Net cash provided by investing activities | <u>1,896,449</u> | <u>617,786</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,122,049) | 559,487 |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>2,332,173</u> | <u>1,772,686</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 1,210,124</u> | <u>\$ 2,332,173</u> |

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — United States Figure Skating Association (the Association) is the national governing body for figure skating on ice in the United States, and is so recognized by the International Skating Union (ISU) and the United States Olympic Committee (USOC). The Association's mission is to provide programs to encourage participation, enjoyment and achievement in the sport of figure skating. Established in 1921, the membership includes approximately 760 member clubs and more than 184,200 registered skaters. The United States Figure Skating Association's headquarters are located in Colorado Springs, Colorado.

Recognizing that competition at every level is a principal incentive for figure skaters to train, develop and improve their proficiency, the Association sanctions official test sessions to measure progress in the various branches of the sport. It also sanctions, directly or indirectly, all official U.S. Figure Skating competitions. Member clubs throughout the United States conduct the tests and competitions. By ascending the competition ladder, competitors registered with the Association develop opportunities to gain entry to international figure skating events, among them the Olympic Winter Games and World Championships.

The World Figure Skating Museum and Hall of Fame (the Museum), an activity of the Association, honors the heritage of the sport. Serving as an international repository for the sport of figure skating, the Museum is dedicated exclusively to the collection, preservation and interpretation of the history and historical artifacts of figure skating throughout the world. The greatest names in figure skating are honored in the Hall of Fame, housed within the Museum.

Ice Network, LLC (Ice Network) is a wholly-owned subsidiary of the Association created in 2007 to hold exclusive rights to certain interactive media assets licensed to it by the Association.

20 First Street Properties (Properties) is a separate, tax exempt not-for-profit title-holding company created in 2004 solely for the purpose of owning, holding title to, and maintaining the land, buildings and improvements of the Association's headquarters.

The United States Figure Skating Foundation (the Foundation) is a separate, tax exempt not-for-profit organization established in 2000 to receive, hold, manage and invest funds transferred, conveyed or contributed to it by or for the benefit of the Association. The Foundation is governed by a separate board of directors, a majority of whom are appointed by the Association's board of directors. The board of directors of the Foundation authorizes supporting distributions to the Association.

Principles of Consolidation — The consolidated financial statements include the accounts of the Association, Ice Network, Properties and the Foundation (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents — The Organization considers all liquid investments with original maturities of three months or less, and which are not held for long-term investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for long-term investment purposes, regardless of original length to maturity, are reported as investments and are excluded from this definition. The net amount of operating cash added to, or withdrawn from, the long-term investments is reported as an investing activity in the statement of cash flows.

Accounts Receivable — Accounts receivable are comprised of amounts due under contracts with event sponsors, marketing agents, licensees and broadcasters. Also included are amounts due from clubs for dues, merchandise, shortfalls of member dues, test fees or sanction fees. The Organization maintains an allowance for doubtful accounts based on expected collectability of accounts receivable. No allowance for doubtful accounts has been recorded at June 30, 2019 and 2018 as accounts receivable are considered by management to be fully collectible.

Promises to Give — Unconditional promises to give expected to be collected within one year are recorded at their estimated net realizable values. Unconditional promises to give expected to be collected in more than one year are recorded at the present values of their estimated future cash flows, computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions are substantially met. The Organization anticipates full collection of outstanding promises to give at June 30, 2019 and 2018.

Investments and Investment Return — Investments are carried at fair value in the statement of financial position. Net investment return consists of interest and dividend income, and the realized and unrealized gains and losses on the investments, less investment management and custodial fees. See Note 6 for additional information on fair value measurements.

Earnings on restricted investments are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the earnings are recognized. All other earnings on donor restricted investments are recognized as an increase in net assets with donor restrictions according to the nature of the restrictions on the original gift. When a donor restriction is met, 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.

Financial Instruments and Credit Risk — The Organization manages deposit concentration risk by placing the cash and money market accounts with various local, regional and national financial institutions. From time to time, portions of those deposits exceed FDIC or other insurance limits.

Inventory — The Organization maintains program-related inventory consisting primarily of achievement pins, medals, emblems, team/logo apparel, and other supplies held for resale to clubs, members and athletes. Inventory is reported using the first-in-first-out method at the lower of cost or net realizable value.

Prepaid Expenses and Other Assets — Prepaid expenses and other assets consist primarily of expenses paid and tickets purchased in advance of future skating events.

Property and Equipment — All acquisitions of property and equipment in excess of \$1,000 are capitalized. Donated equipment is recorded at fair market value at the date of donation. Purchased equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 30 years for buildings and improvements, 10 years for software, and from 3 to 7 years for furnishings and equipment. Upon sale or disposition, the asset and its related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in the statement of activities. Costs of repairs and maintenance are charged to expense when incurred.

Historical Artifacts — The Museum's historical artifacts are capitalized at original cost, or if donated, at fair value at the date the artifacts were received.

Revenue Recognition — Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets without donor restrictions. When a donor restriction is met, 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.

Dues, publications, and other period related revenues are recognized in the period in which they relate. Admissions, activity fees, broadcasting and licensing revenues and skating-event and sponsorship revenues received in advance are included in deferred revenue and recognized when the related event or use occurs.

Donated Services and Materials — Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities at their estimated values. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

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 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes — The Association and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, these entities qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations.

Properties is exempt from federal income taxes under Section 501(c)(2). Ice Network is a disregarded entity for income tax purposes and is included and reported as a part of the Association's activities.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Change in Accounting Principle — On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. During 2019, management implemented ASU 2016-14 and adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Litigation — The Organization is involved in various legal proceedings, administrative actions, and claims arising in the normal course of business. In the opinion of management, the Organization's liability, if any, under pending litigation and administrative actions will not materially affect its financial statements.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

| | 2019 | 2018 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 1,210,124 | \$ 2,332,173 |
| Investments | 88,770,874 | 89,044,699 |
| Accounts receivable | 1,589,041 | 619,936 |
| Dividends receivable | 125,126 | |
| Promises to give | <u>281,000</u> | <u>281,000</u> |
| Total financial assets | <u>91,976,165</u> | <u>92,277,808</u> |

| | | |
|--|---------------------|---------------------|
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors with purpose restrictions | (2,881,717) | (2,652,471) |
| Restricted by donors in perpetuity | <u>(550,475)</u> | <u>(550,475)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(3,432,192)</u> | <u>(3,202,946)</u> |
| Less amounts unavailable to management without Board's approval: | | |
| Board designated for skaters | (11,208,451) | (11,385,578) |
| Board designated for reserves | <u>(73,270,407)</u> | <u>(72,240,068)</u> |
| Total amounts unavailable to management without Board's approval | <u>(84,478,858)</u> | <u>(83,625,646)</u> |
| Total financial assets available to management to meet cash needs for general expenditures within one year | <u>\$ 4,065,115</u> | <u>\$ 5,449,216</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The Organization's typical operating procedure to manage an emergency cash flow need is to hold cash and cash equivalents sufficient to cover budgeted expenses. The Organization manages their cash flow through regular (weekly) analysis of budgeted expenses compared to cash and cash equivalents.

3. FUNCTIONAL EXPENSE ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between various programs and support services on several bases and estimates. Salary, benefits, contract labor and travel which are allocated fully to the related program and on the basis of estimates of time and effort spent by personnel in the various program and supporting services. Certain occupancy expenses such as supplies, shipping and postage, insurance, and information technology have been allocated based on usage. Maintenance and facility expenses have been allocated based on square footage.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

| | 2019 | 2018 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 237,963 | \$ 237,963 |
| Buildings | 3,159,667 | 3,127,006 |
| Equipment | 3,655,835 | 3,730,996 |
| Software | <u>5,743,931</u> | <u>4,154,168</u> |
| Total | 12,797,396 | 11,250,133 |
| Less accumulated depreciation | <u>7,134,155</u> | <u>6,842,615</u> |
| Total | <u>\$ 5,663,241</u> | <u>\$ 4,407,518</u> |

Depreciation expense was \$645,147 and \$475,568 during the years ended June 30, 2019 and 2018, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include endowment fund assets to be held in perpetuity. Income earned on endowment funds may be appropriated for expenditure in satisfaction of donor-specified purposes and in accordance with the trust agreement.

Net assets with donor restrictions consist of the following at June 30:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Subject to the expenditure for specified purpose: | | |
| Skater assistance | \$ 1,316,898 | \$ 1,163,491 |
| Scholarships | 1,078,742 | 1,045,188 |
| Museum operations | 297,069 | 259,806 |
| Awards | 99,612 | 94,381 |
| Club activities | <u>89,396</u> | <u>89,605</u> |
| Total | 2,881,717 | 2,652,471 |
| Endowment to be held in perpetuity | <u>550,475</u> | <u>550,475</u> |
| Total net assets with donor restrictions | <u>\$ 3,432,192</u> | <u>\$ 3,202,946</u> |

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization recognizes transfer between levels at the end of the reporting period.

Investments in equity securities and mutual funds are priced at quoted prices in active markets.

The Organization's investment in the United States Olympic Endowment (USOE) portfolio is valued at fair value using the net asset value of the portfolio provided by the USOE. Certain alternative investments within the USOE portfolio are stated at the estimated net asset values of the underlying investments. The Organization's investment in this portfolio is classified as Level 2.

The Organization may terminate its investment agreement with the USOE effective at the end of any calendar month upon the giving of at least 90 days written notice or upon shorter notice acceptable to the USOE if the USOE determines that adequate liquidity exists in the portfolio to permit early termination.

Several investments are held in hedge funds managed by investment management firms. The funds invest in a variety of hedge funds, including funds of hedge funds, to create a portfolio of funds having widely diversified investment strategies. Investments for which quotations are not available are valued at an estimated net asset value by the fund managers using various models, comparisons and assumptions. Consideration is given to several factors, including the type of investment, risks, marketability, restrictions on disposition, quotations from other market participants and values of similar investments. Net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the investment will be sold at an amount different from the reported net asset value.

There was no significant change to the valuation methodologies used during the year.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. The Organization considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument

The USOE portfolio consists of the following investments at June 30:

| | 2019 | 2018 |
|-------------------------|-------------|-------------|
| Alternative investments | 37% | 37% |
| Domestic equities | 32% | 31% |
| International equities | 19% | 20% |
| Domestic bonds | 6% | 6% |
| International bonds | 3% | 3% |
| Cash and other | <u>3%</u> | <u>3%</u> |
| Total | <u>100%</u> | <u>100%</u> |

Alternative investments include hedge equity funds, private equity funds, real estate funds and limited partnerships.

Investments that Calculate Net Asset Value — The following summarizes liquidity considerations for investments measured at fair value that calculate net asset value as a practical expedient at June 30, 2019 and 2018:

| Investments | Fair Value | Redemption Frequency | Redemption Notice Period |
|---|----------------------|---------------------------------|-------------------------------------|
| 2019: | | | |
| Traditional Hedge Funds: | | | |
| Millennium International, Ltd. - Class MM Sub Class III – Series 01A | \$ 5,283,808 | Annually | 90 days notice |
| Renaissance Institutional Diversified Alpha Fund, LLC – Series A | 1,464,952 | Monthly | 2 months notice |
| Hedge Fund of Funds: | | | |
| ACL Alternative Fund SAC Limited - USD Share Class A | 2,907,722 | Daily | |
| Riverview Global Macro Fund (Cayman) L.P. | 1,786,080 | Quarterly | 65 days notice |
| H. Barton Venture Select III, LLC | 175,008 | Quarterly | |
| Fund in Liquidation: | | | |
| Cross Shore Overseas Fund LTD - Class GA Series 1 | <u>116,200</u> | Annually | 75 days notice |
| Total | <u>\$ 11,733,770</u> | | |

| Investments | Fair Value | Redemption Frequency | Redemption Notice Period |
|---|----------------------|----------------------|--------------------------|
| 2018: | | | |
| Traditional Hedge Funds: | | | |
| Millennium International, Ltd. - Class MM Sub Class III – Series 01A | \$ 5,352,829 | Annually | 90 days notice |
| Renaissance Institutional Diversified Alpha Fund, LLC – Series A | 1,470,240 | Monthly | 45 days notice |
| Hedge Fund of Funds: | | | |
| ACL Alternative Fund SAC Limited - USD Share Class A | 2,735,471 | Daily | |
| Riverview Global Macro Fund (Cayman) L.P. | 1,783,595 | Quarterly | 65 days notice |
| Fund in Liquidation: | | | |
| Cross Shore Overseas Fund LTD - Class GA Series 1 | <u>316,495</u> | Annually | 75 days notice |
| Total | <u>\$ 11,658,630</u> | | |

There are unfunded commitments of \$910,000 in the investments as of June 30, 2019. There were no unfunded commitments as of June 30, 2018.

Millennium International, Ltd (International): International is a Cayman Islands exempted company. International invests a substantial portion of its capital in Millennium Offshore Intermediate, L.P., which in turn invests its capital in Millennium Partners, L.P. (MLP). MLP is engaged in the business of trading equities, fixed income products, options, futures and other financial instruments.

Renaissance Institutional Diversified Alpha Fund, LLC (Renaissance fund): The Renaissance fund is a pooled investment fund, hedge fund incorporated in Delaware. The Renaissance fund is an absolute return strategy that employs a long-time horizon systematic investment approach to global equity, futures and forward markets. The Renaissance fund seeks to generate absolute returns with medium to low correlation to equities as well as other asset classes by capitalizing on long-term market inefficiencies.

ACL Alternative Fund: ACL Alternative Fund is a segregated account of ACL Alternative Fund SAC Ltd (ACL Alternative Fund SAC). ACL Alternative Fund SAC is an open-ended segregated accounts company located in Bermuda. The ACL Alternative Fund SAC is a multi-manager fund blending Trendfollowing and non-Trendfollowing styles.

Riverview Global Macro Fund (Cayman) L.P. (Riverview): Riverview is a Cayman Islands exempted company, which operates as a feeder to Riverview Global Macro Fund L.P. (GMF). Riverview invests substantially all of its assets into GMF. GMF seeks to generate attractive returns through a broad range of market environments and to provide stable diversification benefits relative to traditional asset classes with the potential to offer downside protection during challenging market environments.

H. Barton Venture Select III, LLC (Barton): Barton operates as a venture investment limited liability company. The purpose and scope of Barton is to seek income and gain through the acquisition, holding, and distribution or other disposition of Venture Fund Securities, temporarily invest cash in Idle Funds Investments, and engage in such other activities as are customary to venture capital or emerging growth investment funds. It is estimated the underlying assets of the venture funds' interests will be liquidated between 2028 and 2030.

Cross Shore Overseas Fund, Ltd (Cross Shore): Cross Shore is a Cayman Islands exempted company. Cross Shore investment objective is to provide capital appreciation through the allocation of its assets among a diverse group of money managers. Cross Shore presently invests substantially all of its assets with Cross Shore Master Fund (Master Fund). The Master Fund uses a long/short equity strategy designed to accomplish Cross Shore's investment objective. The fund is currently in liquidation and is currently paying out the remainder of the investment. Management believes that they will receive substantially all their remaining investment in this fund and that the fair market value accurately presents the fair value.

Net investment income is composed of the following for the year ended June 30:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Net realized and unrealized gains | \$ 3,523,494 | \$ 6,474,394 |
| Dividend and interest income | 1,734,973 | 1,266,707 |
| Investment management and custodial fees | <u>(246,450)</u> | <u>(207,851)</u> |
| Net investment income | <u>\$ 5,012,017</u> | <u>\$ 7,533,250</u> |

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the Organization's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction. Though the market values of investments are subject to fluctuation, management and the investment committee believe that the investment policy is prudent for the long-term welfare of the Organization.

7. OPERATING LEASE

The Organization leases a printer, copying equipment and phone system under non-cancellable operating lease agreements expiring between January 2020 and May 2021. The future minimum annual lease payments are as follows as of June 30, 2019:

| | |
|-------|------------------|
| 2020 | \$ 22,415 |
| 2021 | <u>11,745</u> |
| Total | <u>\$ 34,160</u> |

Lease expense for the years ended June 30, 2019 and 2018 was \$24,420 and \$25,608, respectively.

8. ENDOWMENT FUNDS

The Organization's endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions restricted for a purpose or passage of time until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2019 is as follows:

| | With Donor Restrictions |
|--|--|
| Donor-restricted for permanent operating endowment | \$ <u>694,454</u> |

Changes in Endowment Net Assets for the year ended June 30, 2019 is as follows:

| | With Donor Restrictions |
|---|--|
| Endowment net assets, beginning of year | \$ 671,215 |
| Investment return, net | <u>23,239</u> |
| Endowment net assets, end of year | <u>\$ 694,454</u> |

Endowment Net Asset Composition by Type of Fund as of June 30, 2018 is as follows:

| | With Donor Restrictions |
|--|--|
| Donor-restricted for permanent operating endowment | \$ <u>671,215</u> |

Changes in Endowment Net Assets for the year ended June 30, 2018 is as follows:

| | With Donor Restrictions |
|---|--|
| Endowment net assets, beginning of year | \$ 648,293 |
| Investment return, net | <u>22,922</u> |
| Endowment net assets, end of year | \$ <u>671,215</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 and 2018.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately the sum of 5% plus the consumer price index (CPI) annually. Actual returns in any given year may vary from this amount.

9. RETIREMENT PLAN

The Organization has a tax-deferred retirement plan (the Plan) pursuant to Section 403(b) covering substantially all employees. The Organization matches employees' voluntary contributions up to 4% of the employee's compensation after three months of service. Contributions are vested over three years at the rate of one-third per year. Employer matching and discretionary contributions totaled \$190,371 and \$176,983 for the years ended June 30, 2019 and 2018, respectively.

10. CONCENTRATIONS

The Organization had amounts due at June 30, 2019 and 2018 comprising 53% from one company and 45% from two companies, respectively, of total accounts receivable.

**UNITED STATES FIGURE SKATING
ASSOCIATION AND AFFILIATES**

SUPPLEMENTAL SCHEDULES

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

| | USFS Association, Ice Network and Properties | USFS Foundation | Eliminations | Total |
|---|---|-----------------------------|---------------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,210,124 | | | \$ 1,210,124 |
| Investments | 2,468,946 | \$ 86,301,928 | | 88,770,874 |
| Accounts receivable | 1,647,213 | | \$ (58,172) | 1,589,041 |
| Dividends receivable | | 125,126 | | 125,126 |
| Promises to give | 281,000 | | | 281,000 |
| Inventory | 234,732 | | | 234,732 |
| Prepaid expenses and other assets | 616,069 | | | 616,069 |
| Property and equipment, net | 5,663,241 | | | 5,663,241 |
| Historical artifacts | <u>688,261</u> | | | <u>688,261</u> |
| TOTAL ASSETS | <u>\$ 12,809,586</u> | <u>\$ 86,427,054</u> | <u>\$ (58,172)</u> | <u>\$ 99,178,468</u> |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 3,226,244 | \$ 58,172 | \$ (58,172) | \$ 3,226,244 |
| Deferred revenue | <u>1,991,627</u> | | | <u>1,991,627</u> |
| Total liabilities | <u>5,217,871</u> | <u>58,172</u> | <u>(58,172)</u> | <u>5,217,871</u> |
| NET ASSETS | | | | |
| Without donor restrictions: | | | | |
| Undesignated | 6,049,547 | | | 6,049,547 |
| Board-designated for reserves | | 73,270,407 | | 73,270,407 |
| Board-designated for skaters | | <u>11,208,451</u> | | <u>11,208,451</u> |
| Total without donor restrictions | 6,049,547 | 84,478,858 | | 90,528,405 |
| With donor restrictions | <u>1,542,168</u> | <u>1,890,024</u> | | <u>3,432,192</u> |
| Total net assets | <u>7,591,715</u> | <u>86,368,882</u> | | <u>93,960,597</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 12,809,586</u> | <u>\$ 86,427,054</u> | <u>\$ (58,172)</u> | <u>\$ 99,178,468</u> |

UNITED STATES FIGURE SKATING ASSOCIATION AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

| | USFS Association, Ice Network and Properties | USFS Foundation | Eliminations | Total |
|---|---|----------------------|--------------------|----------------------|
| REVENUE, GAINS AND OTHER SUPPORT | | | | |
| Dues, admissions and activity fees | \$ 7,440,667 | | | 7,440,667 |
| Broadcasting and licensing | 5,514,580 | | | 5,514,580 |
| Net investment income | 139,295 | \$ 4,872,722 | | \$ 5,012,017 |
| Skating events and sponsorships | 4,056,230 | | | 4,056,230 |
| USOPC and PSA grants | 1,443,011 | | | 1,443,011 |
| Contributions | 3,583,543 | | \$ (3,197,942) | 385,601 |
| Publications | <u>174,623</u> | | | <u>174,623</u> |
| Total revenue, gains and other support | <u>22,351,949</u> | <u>4,872,722</u> | <u>(3,197,942)</u> | <u>24,026,729</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Development and support of athletes | 7,453,628 | | | 7,453,628 |
| Skating events | 6,738,720 | | | 6,738,720 |
| Membership activities and services | 2,593,072 | | | 2,593,072 |
| Governance and judging | 883,995 | | | 883,995 |
| Publications | <u>532,684</u> | | | <u>532,684</u> |
| Total program services | <u>18,202,099</u> | <u>—</u> | <u>—</u> | <u>18,202,099</u> |
| Supporting services: | | | | |
| Management and general | 2,695,122 | 46,595 | | 2,741,717 |
| Donor development | 1,046,687 | | | 1,046,687 |
| Support provided to USFS Association | | <u>3,197,942</u> | <u>(3,197,942)</u> | <u>—</u> |
| Total supporting services | <u>3,741,809</u> | <u>3,244,537</u> | <u>(3,197,942)</u> | <u>3,788,404</u> |
| Total expenses | <u>21,943,908</u> | <u>3,244,537</u> | <u>(3,197,942)</u> | <u>21,990,503</u> |
| Change in net assets | 408,041 | 1,628,185 | — | 2,036,226 |
| NET ASSETS, Beginning of year | <u>7,183,674</u> | <u>84,740,697</u> | <u>—</u> | <u>91,924,371</u> |
| NET ASSETS, End of year | <u>\$ 7,591,715</u> | <u>\$ 86,368,882</u> | <u>\$ —</u> | <u>\$ 93,960,597</u> |