

**UNITED STATES BOBSLED AND
SKELETON FEDERATION, INC.**

**Financial Statements &
Supplemental Schedules**

For the Year Ended June 30, 2011

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Program Services	14
Schedule of Supporting Services	15

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Bobsled and Skeleton Federation, Inc.
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of United States Bobsled and Skeleton Federation, Inc. as of June 30, 2011, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Federation's June 30, 2010 financial statements and, in our report dated September 3, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Bobsled and Skeleton Federation, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program services and of supporting services for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the 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 financial statements as a whole.

Waugh & Goodwin, LLP

September 2, 2011

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.
Statement of Financial Position
June 30, 2011
(With Comparative Amounts for 2010)

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 230,980	\$ 233,084
Accounts receivable, net (Note A)	17,528	85,605
Due from United States Olympic Committee	4,000	38,869
Inventory	1,765	1,994
Prepaid insurance	<u>17,036</u>	<u>15,063</u>
Total current assets	271,309	374,615
PROPERTY AND EQUIPMENT: (Note C)		
Property and equipment	1,217,463	1,089,344
Less accumulated depreciation	<u>(672,465)</u>	<u>(604,703)</u>
Property and equipment - net	544,998	484,641
OTHER ASSETS:		
Beneficial interest in Trust (Note D)	<u>1,309,777</u>	<u>1,129,055</u>
TOTAL ASSETS	<u>\$ 2,126,084</u>	<u>\$ 1,988,311</u>

<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 136,634	\$ 156,336
Due to United States Olympic Committee	40,720	39,706
Deferred revenue	26,634	1,575
Current portion of note payable (Note E)	<u> </u>	<u>3,125</u>
Total liabilities	203,988	200,742
NET ASSETS:		
Unrestricted	612,319	658,514
Permanently restricted (Note D)	<u>1,309,777</u>	<u>1,129,055</u>
Total net assets	<u>1,922,096</u>	<u>1,787,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,126,084</u>	<u>\$ 1,988,311</u>

See Notes to Financial Statements

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
REVENUE:				
USOC grants (Note H)	\$ 1,404,455	\$	\$ 1,404,455	\$ 1,858,880
Corporate sponsorship	250,743		250,743	368,950
Change in beneficial interest in Trust (Note D)		180,722	180,722	(15,778)
FIBT distributions (Note H)	166,006		166,006	126,425
Contributions - VIK	78,825		78,825	128,232
USOC marketing agreement (Note H)	75,000		75,000	75,000
Contributions	74,481		74,481	79,904
Trust distribution (Note D)	35,000		35,000	100,000
Member dues	20,045		20,045	18,580
Miscellaneous income	7,684		7,684	8,706
Driving school	2,260		2,260	696
Royalty revenue	1,672		1,672	579
Gain (loss) on disposal of equipment	900		900	1,443
Interest income	652		652	1,540
Fundraising dinners, net of expenses of \$45,510				44,454
Total revenue	<u>2,117,723</u>	<u>180,722</u>	<u>2,298,445</u>	<u>2,797,611</u>
EXPENSES:				
Program services:				
Men's bobsled	510,386		510,386	598,497
Women's bobsled	374,487		374,487	467,889
Athlete expense	360,320		360,320	605,500
Skeleton	323,728		323,728	400,595
Membership expense	49,861		49,861	43,655
Lake Placid	20,588		20,588	30,214
Recruiting	1,642		1,642	
Total program services	<u>1,641,012</u>		<u>1,641,012</u>	<u>2,146,350</u>
Supporting services:				
General and administrative	426,315		426,315	410,634
Marketing and public relations	96,591		96,591	17,238
Total supporting services	<u>522,906</u>		<u>522,906</u>	<u>427,872</u>
Total expenses	<u>2,163,918</u>		<u>2,163,918</u>	<u>2,574,222</u>
CHANGE IN NET ASSETS	(46,195)	180,722	134,527	223,389
NET ASSETS, beginning of year	<u>658,514</u>	<u>1,129,055</u>	<u>1,787,569</u>	<u>1,564,180</u>
NET ASSETS, end of year	<u>\$ 612,319</u>	<u>\$ 1,309,777</u>	<u>\$ 1,922,096</u>	<u>\$ 1,787,569</u>

See Notes to Financial Statements

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 134,527	\$ 223,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	88,033	76,934
Gain on disposal of assets	(900)	(2,500)
Changes in assets and liabilities:		
Decrease in accounts receivable	102,946	(97,846)
Decrease in inventory	229	1,845
Increase in prepaid expenses	(1,973)	(1,172)
Change in beneficial interest in trust	(180,722)	15,778
Decrease in accounts payable	(18,688)	32,080
Increase in deferred revenue	<u>25,059</u>	<u>105</u>
Total adjustments	<u>13,984</u>	<u>25,224</u>
Net cash provided by operating activities	148,511	248,613
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of short-term investments		3,952
Disposal of property and equipment	900	5,957
Acquisition of property and equipment	<u>(148,390)</u>	<u>(229,400)</u>
Net cash used by investing activities	(147,490)	(219,491)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in note payable	<u>(3,125)</u>	<u>(18,750)</u>
Net cash used by financing activities	<u>(3,125)</u>	<u>(18,750)</u>
NET INCREASE (DECREASE) IN CASH	(2,104)	10,372
CASH AND CASH EQUIVALENTS, beginning of year	<u>233,084</u>	<u>222,712</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 230,980</u>	<u>\$ 233,084</u>

See Notes to Financial Statements

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Notes to Financial Statements

For the Year Ended June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The United States Bobsled and Skeleton Federation, Inc. (the Federation) was organized in the State of New York on November 18, 1977 to promote and improve amateur bobsledding, and develop interest and participation in amateur bobsledding throughout the United States.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Federation's checking and money market accounts. The Federation maintains its cash and cash equivalents at commercial banks. In the unlikely event of a bank failure the Federation might only be able to recover the amounts insured.

Accounts Receivable

Accounts receivable are stated at the amount the Federation expects to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances, it has concluded that an allowance for doubtful accounts of \$3,500 is necessary at June 30, 2011 and 2010, respectively.

Inventory

Inventory consists of logo merchandise related to bobsledding and is valued at the lower of cost or market.

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of donations. Depreciation is recorded using the straight-line method over estimated useful lives of three to ten years. Depreciation expense amounted to \$88,033 and \$76,934 for the years ended June 30, 2011 and 2010, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Exempt Status

The Federation is generally exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Federation is, however, liable for income tax on unrelated trade or business income, which includes advertising income or any other business income that is not substantially related to its exempt purpose.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because the Federation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Federation's income tax returns.

The Federation's income tax filings are subject to audit by various taxing authorities. The Federation's open audit periods are 2007 - 2010. The Federation believes that its operations have been conducted in accordance with its tax-exempt status.

Membership Dues

Membership dues received by the Federation are recognized as income in the appropriate membership year. Dues received, which pertain to the upcoming year, are reported as deferred revenue.

Contributions

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation

Under Financial Accounting Standards Board's (FASB) ASC 958 *Not-for-Profit Entities*, the Federation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2011 the Federation did not have any temporarily restricted net assets.

Use of Estimates in Preparation of Financial Statement

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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. 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 Federation's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Supplemental Cash Flow Disclosures

During the years ended June 30, 2011 and 2010, the Federation paid interest costs of \$1,291 and \$1,760, respectively.

Date of Management's Review

In preparing the financial statements, the Federation has evaluated events and transactions for potential recognition or disclosure through September 2, 2011, the date that the financial statements were available to be issued.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS

The Federation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Federation 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 June 30, 2011 and 2010:

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Trust	\$ 1,309,777	\$ _____	\$ _____	\$ 1,309,777
	<u>\$ 1,309,777</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,309,777</u>

Assets at Fair Value as of June 30, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Trust	\$ 1,129,055	\$ _____	\$ _____	\$ 1,129,055
	<u>\$ 1,129,055</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,129,055</u>

Notes to Financial Statements

C. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or at market value at the date received as a gift. Property and equipment consists of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Sleds	\$ 791,804	\$ 658,777
Runners	260,762	271,900
Furniture and equipment	101,907	95,677
Leasehold improvements	30,983	30,983
Restricted assets	25,000	25,000
Trailer	<u>7,007</u>	<u>7,007</u>
	1,217,463	1,089,344
Less accumulated depreciation	<u>(672,465)</u>	<u>(604,703)</u>
Property and equipment - net	<u>\$ 544,998</u>	<u>\$ 484,641</u>

D. BENEFICIAL INTEREST IN TRUST

The United States Bobsled and Skeleton Federation Trust (the Trust) was established by the Federation to administer unrestricted funds distributed by the United States Olympic Committee (USOC), from the profits of the 1984 Olympic Summer Games in Los Angeles, to the National Governing Body of these Olympic Sports.

In accordance with FASB ASC 958, Not-for-Profit Entities, the Federation has recorded a beneficial interest in the net assets of the Trust. Changes in the net assets of the Trust are recorded in the accompanying statement of activities. As of June 30, 2011 and 2009 the Trust had total assets of \$1,309,777 and \$1,144,833 respectively. This amount is included in permanently restricted net assets.

The Trust is to be operated for the exclusive benefit of the Federation. The trust declaration requires it to distribute 85% of the Trust's net income, excluding unrealized gains on marketable securities, to or for the use of the Federation. Income in excess of expenses and the amount distributed shall be reinvested and added to principal.

The Trust is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has also been determined not to be a private foundation.

Notes to Financial Statements

D. BENEFICIAL INTEREST IN TRUST - Continued

At June 30, 2011 and 2010, the Trust's net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 579,739	\$
Common stocks	434,584	673,330
Corporate bonds	134,453	206,690
Government bonds	114,859	194,115
Money market funds	42,658	49,397
Accrued interest	3,066	5,345
Cash and cash equivalents	<u>418</u>	<u>178</u>
Total	<u>\$ 1,309,777</u>	<u>\$ 1,129,055</u>

E. NOTE PAYABLE

At June 30, 2010, the Federation had a term note payable to a commercial bank, due in monthly installments of \$1,563 plus interest over a four-year term. The final payment on this note was made in July 2010.

F. LINE OF CREDIT AGREEMENT

The Federation has a \$75,000 line of credit agreement and a \$50,000 line of credit agreement with two commercial banks. The \$75,000 line of credit bears interest at a rate of .75% over prime. The \$50,000 line of credit bears interest at a rate of 6.75% over prime. At June 30, 2011, there were no outstanding borrowings under these line of credit agreements.

G. LEASES

The Federation leases storage space on a month-to-month basis.

The Federation currently occupies office space owned by the El Pomar Foundation. The Federation does not pay rent for the office space, but it does reimburse El Pomar for its share of utilities and maintenance expenses at a rate of \$337 per month expiring December 31, 2011. In-kind revenue and expense of \$6,704 and \$8,474 has been recorded for the years ended June 30, 2011 and 2010, respectively. Future minimum payments for this lease are as follows:

2011	<u>\$ 2,021</u>
------	-----------------

Total rent expense amounted to \$16,678 and \$22,581 for the years ended June 30, 2011 and 2010, respectively.

Notes to Financial Statements

H. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Federation for sports development, international competition, and team preparation. Grants provided during the years ended June 30, 2011 and 2010 consisted of the following project categories:

	<u>2011</u>	<u>2010</u>
NGB funding	\$ 1,317,983	\$ 1,717,420
VIK	66,472	67,050
Skeleton project grant		48,910
International relations grant	<u>20,000</u>	<u>25,500</u>
	<u>\$ 1,404,455</u>	<u>\$ 1,858,880</u>

In addition to the above grants, the Federation received \$75,000 from the USOC for its content licensing agreement during each of the years ended June 30, 2011 and 2010. The content licensing agreement expires December 31, 2012 and provides for licensing fees of \$75,000 each year.

The USOC provides the Corporation with office facilities in Lake Placid for \$400 a month. Rental expense for the years ended June 30, 2011 and 2010 amounted to \$4,800.

The Corporation is economically dependent on grants from the USOC in order to sustain its operations at current levels.

Federation Internationale de Bobsleigh et de Tobaganning (FIBT), the international bobsled and skeleton organization, distributed \$166,006 and \$126,425 to the Federation during the years ended June 30, 2011 and 2010, respectively. Of this amount, \$92,616 and \$79,131, respectively, was for athlete incentives.

I. RETIREMENT PLAN

The Federation has established a Simple IRA retirement program. Employees are eligible to participate after working two years. During the year ended June 30, 2011 and 2010, the Federation made matching contributions for eligible employees of \$7,969 and \$6,501.

Notes to Financial Statements

J. COMMITMENTS AND CONTINGENT LIABILITIES

The Federation has a multi-year employment contract with one key employee. In the event this employee is terminated for a cause (as defined in the contract), the Federation is not obligated to pay any severance compensation. In the event this employee is terminated without cause and without prior notice, then the Federation is obligated to pay severance in the amount of twelve months salary in regular installments on the Federation's normal payroll dates commencing on the date of termination.

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Schedule of Program Services

For the Year Ended June 30, 2011

(With Comparative Totals for 2010)

	Men's Bobsled	Women's Bobsled	Athlete Expense	Skeleton	Membership Expense	Lake Placid	Recruiting	2011 Totals	2010 Totals
Air travel	\$ 36,499	\$ 36,381	\$ 20,288	\$ 26,602	\$	\$	\$	\$ 119,770	\$ 190,173
Athlete incentives			92,616					92,616	183,631
Athlete support			31,544					31,544	47,356
Clothing									56,929
Contract labor	32,384	41,000	500	21,000				94,884	239,664
Depreciation	58,133	24,000		5,900				88,033	76,030
Emerging elite funding	10,600	8,891		13,304				32,795	
Employee benefits	19,605		14,371	6,611				40,587	36,625
Entry fees	4,057	4,034	75	3,867				12,033	26,555
Equipment	34,882	24,445	72,091	13,816			45	145,279	186,286
FICA	10,260	6,197	7,941	8,216		1,323		33,937	26,717
Ground travel	30,728	28,218	1,001	22,449				82,396	136,869
Insurance					49,170			49,170	42,595
Simple IRA expense	2,070		3,064	125				5,259	4,041
Meals/lodging	94,872	86,808	12,958	74,286		19,265		288,189	434,119
Membership expense					691			691	1,060
Other	3,297	7,534	74	214			1,597	12,716	8,792
Salaries	134,116	81,000	103,797	115,500				434,413	336,221
Shop rental									5,169
Sled shipping	38,883	25,979		3,556				68,418	71,986
Technology				8,282				8,282	35,532
	<u>\$ 510,386</u>	<u>\$ 374,487</u>	<u>\$ 360,320</u>	<u>\$ 323,728</u>	<u>\$ 49,861</u>	<u>\$ 20,588</u>	<u>\$ 1,642</u>	<u>\$ 1,641,012</u>	<u>\$ 2,146,350</u>

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Schedule of Supporting Services

For the Year Ended June 30, 2011

(With Comparative Totals for 2010)

	<u>General & Administrative</u>	<u>Marketing & Public Relations</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
Air travel	\$ 5,825	\$	\$ 5,825	\$ 3,449
Awards	8		8	
Bad debt expense	(29)		(29)	(836)
Bank charges	303		303	722
Contract labor	6,119	60,000	66,119	3,706
Cost of goods sold	862		862	2,582
Depreciation				904
Dues & subscriptions	4,286		4,286	4,327
Employee benefits	35,548		35,548	19,578
Equipment expense	7,445		7,445	45
FICA	16,734		16,734	15,523
Goodwill gestures	293		293	113
Ground travel	2,368		2,368	2,128
Insurance	15,613		15,613	20,542
Interest expense	1,291		1,291	1,760
Legal & accounting	12,363		12,363	21,159
Loss on currency exchange	(4)		(4)	(31)
Marketing-fulfillment		19,901	19,901	9,694
Marketing-solicitation		156	156	4,496
Marketing-misc		15,506	15,506	100
Meals/lodging	5,496		5,496	3,556
Meetings	11,024		11,024	14,176
Merchant fees	1,493		1,493	3,116
Office supplies	2,232		2,232	3,394
Other	806		806	59
Postage	1,102		1,102	1,609
Publicity	6,563		6,563	5,488
Public relations		1,028	1,028	948
Rent - building	8,374		8,374	17,531
Salaries	245,621		245,621	224,158
Simple IRA expense	2,710		2,710	2,460
State unemployment insurance	13,334		13,334	8,973
Telephone	11,831		11,831	17,528
Value in kind	6,704		6,704	14,915
	<u>\$ 426,315</u>	<u>\$ 96,591</u>	<u>\$ 522,906</u>	<u>\$ 427,872</u>