

**USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION  
Consolidating Financial Statements &  
Supplemental Schedules  
For the Year Ended December 31, 2016**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
USA Triathlon of Colorado  
Colorado Springs, Colorado

We have audited the accompanying consolidating financial statements of USA Triathlon of Colorado and USA Triathlon Foundation (nonprofit organizations), which comprise the consolidating statement of financial position as of December 31, 2016, and the related consolidating statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We also have audited the accompanying individual financial statements of USA Triathlon of Colorado, which comprise the individual statement of financial position as of December 31, 2016, and the related individual statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We also have compiled the financial statements of USA Triathlon Foundation as discussed in this report under the heading "Report on the Compiled Financial Statements".

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating 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 consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidating 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 Corporation'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 consolidating 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 accompanying consolidating financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2016, and the results of operations and cash flows for the year then ended of USA Triathlon of Colorado and USA Triathlon Foundation, consolidated, and USA Triathlon of Colorado, but not USA Triathlon Foundation, whose financial statements we compiled, as discussed in the following paragraphs, all in accordance with accounting principles generally accepted in the United States of America.

### **Report on the Compiled Financial Statements**

Management is responsible for the accompanying financial statements of USA Triathlon Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### **Report on Summarized Comparative Information**

We have previously audited USA Triathlon of Colorado's December 31, 2015 consolidating financial statements, and our report dated May 26, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the 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 consolidating 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 consolidating financial statements or to the consolidating 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*

Colorado Springs, Colorado  
April 24, 2017

USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION  
Consolidating Statement of Financial Position  
December 31, 2016  
(With Consolidated Totals for 2015)

|   | (Audited)<br>USA Triathlon<br>of Colorado | (Compiled)<br>USA Triathlon<br>Foundation | Eliminating<br>Entries | 2016<br>Consolidated<br>Totals | 2015<br>Consolidated<br>Totals |
|---|---|---|------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>   |   |   |                        |                                |                                |
| <b>CURRENT ASSETS:</b>  |   |   |                        |                                |                                |
| Cash and cash equivalents   | \$ 4,746,458                              | \$ 106,358                                | \$                     | \$ 4,852,816                   | \$ 3,276,432                   |
| Accounts receivable, net  | 642,015                                   |   |                        | 642,015                        | 717,062                        |
| Contribution receivable   |   | 680                                       |                        | 680                            |                                |
| Due from USOC   |   |   |                        |                                | 10,000                         |
| Due from USA Triathlon of Colorado                                |   | 10,214                                    | (10,214)               |                                |                                |
| Prepaid expenses  | 155,082                                   |   |                        | 155,082                        | 934,036                        |
| Notes receivable from related party                               | 303,200                                   |   |                        | 303,200                        | 303,200                        |
| <b>Total current assets</b>                                       | <b>5,846,755</b>                          | <b>117,252</b>                            | <b>(10,214)</b>        | <b>5,953,793</b>               | <b>5,240,730</b>               |
| <b>LONG-TERM INVESTMENTS</b>                                      | <b>9,614,371</b>                          |   |                        | <b>9,614,371</b>               | <b>9,182,629</b>               |
| <b>INVESTMENT IN LAGARDERE UNLIMITED<br/>UPSOLUT USAT LLC</b>     | <b>5,500</b>                              |   |                        | <b>5,500</b>                   | <b>5,500</b>                   |
| <b>PROPERTY AND EQUIPMENT:</b>                                    |   |   |                        |                                |                                |
| Building  | 4,502,340                                 |   |                        | 4,502,340                      | 4,502,340                      |
| Land  | 2,424,337                                 |   |                        | 2,424,337                      | 2,424,337                      |
| Office furniture and equipment                                    | 1,887,010                                 |   |                        | 1,887,010                      | 1,802,902                      |
| Leasehold improvements  | 81,803                                    |   |                        | 81,803                         | 81,803                         |
| Less accumulated depreciation                                     | (2,159,143)                               |   |                        | (2,159,143)                    | (1,819,213)                    |
| <b>Property and equipment - net</b>                               | <b>6,736,347</b>                          |   |                        | <b>6,736,347</b>               | <b>6,992,169</b>               |
| <b>TOTAL ASSETS</b>   | <b>\$ 22,202,973</b>                      | <b>\$ 117,252</b>                         | <b>\$ (10,214)</b>     | <b>\$ 22,310,011</b>           | <b>\$ 21,421,028</b>           |
| <b>LIABILITIES AND NET ASSETS</b>                                 |   |   |                        |                                |                                |
| <b>CURRENT LIABILITIES:</b>                                       |   |   |                        |                                |                                |
| Accounts payable  | \$ 322,693                                | \$  | \$                     | \$ 322,693                     | \$ 219,448                     |
| Due to USA Triathlon Foundation                                   | 10,214                                    |   | (10,214)               |                                |                                |
| Due to USOC   | 26,557                                    |   |                        | 26,557                         | 1,957                          |
| Accrued liabilities   | 318,777                                   |   |                        | 318,777                        | 293,906                        |
| Current portion of deferred revenue                               | 4,659,624                                 |   |                        | 4,659,624                      | 4,323,552                      |
| <b>Total current liabilities</b>                                  | <b>5,337,865</b>                          |   | <b>(10,214)</b>        | <b>5,327,651</b>               | <b>4,838,863</b>               |
| <b>LONG-TERM LIABILITIES:</b>                                     |   |   |                        |                                |                                |
| Long-term portion of deferred revenue                             | 610,122                                   |   |                        | 610,122                        | 611,215                        |
| Note payable  | 2,971,000                                 |   |                        | 2,971,000                      | 2,971,000                      |
| Allowance for net loss of Lagardere<br>Unlimited Upsolut USAT LLC | 505,940                                   |   |                        | 505,940                        | 606,887                        |
| <b>Total long-term liabilities</b>                                | <b>4,087,062</b>                          |   |                        | <b>4,087,062</b>               | <b>4,189,102</b>               |
| <b>Total liabilities</b>  | <b>9,424,927</b>                          |   | <b>(10,214)</b>        | <b>9,414,713</b>               | <b>9,027,965</b>               |
| <b>NET ASSETS:</b>  |   |   |                        |                                |                                |
| Unrestricted  | 12,778,046                                | 117,252                                   |                        | 12,895,298                     | 12,393,063                     |
| <b>Total net assets</b>   | <b>12,778,046</b>                         | <b>117,252</b>                            |                        | <b>12,895,298</b>              | <b>12,393,063</b>              |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                           | <b>\$ 22,202,973</b>                      | <b>\$ 117,252</b>                         | <b>\$ (10,214)</b>     | <b>\$ 22,310,011</b>           | <b>\$ 21,421,028</b>           |

See Notes to Consolidating Financial Statements

USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION  
Consolidating Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2016  
(With Consolidated Totals for 2015)

|  | (Audited)<br>USA Triathlon<br>of Colorado | (Compiled)<br>USA Triathlon<br>Foundation | 2016<br>Consolidated<br>Totals | 2015<br>Consolidated<br>Totals |
|--|---|---|--------------------------------|--------------------------------|
| <b>REVENUE:</b>  |   |   |                                |                                |
| Membership registrations                                     | \$ 8,982,777                              | \$  | \$ 8,982,777                   | \$ 8,415,749                   |
| In-kind contributions  | 1,899,639                                 |   | 1,899,639                      | 1,952,459                      |
| Championships  | 1,448,275                                 |   | 1,448,275                      | 1,819,486                      |
| Corporate sponsorship  | 1,309,441                                 |   | 1,309,441                      | 1,087,352                      |
| USOC grants  | 840,593                                   |   | 840,593                        | 812,597                        |
| Coaching camps and clinics                                   | 518,507                                   |   | 518,507                        | 467,013                        |
| Sanctioning  | 425,705                                   |   | 425,705                        | 422,635                        |
| Contributions  | 96,997                                    | 96,047                                    | 193,044                        | 190,472                        |
| Coaching certification                                       | 157,060                                   |   | 157,060                        | 182,900                        |
| Advertising income   | 200,695                                   |   | 200,695                        | 106,557                        |
| Other revenue  | 186,115                                   | 1,970                                     | 188,085                        | 76,724                         |
| Royalties  | 95,677                                    |   | 95,677                         | 52,623                         |
| Rental income, net of expenses<br>of \$206,561 and \$174,998 | 81,684                                    |   | 81,684                         | 41,904                         |
| Investment income (loss)                                     | 472,420                                   |   | 472,420                        | (204,778)                      |
| <b>Total revenue</b>   | <b>16,715,585</b>                         | <b>98,017</b>                             | <b>16,813,602</b>              | <b>15,423,693</b>              |
| <b>EXPENSES:</b>   |   |   |                                |                                |
| Program services:  |   |   |                                |                                |
| High performance   | 3,718,605                                 |   | 3,718,605                      | 4,019,784                      |
| Event services   | 3,443,442                                 |   | 3,443,442                      | 3,212,751                      |
| Sport development  | 1,672,332                                 | 501,016                                   | 2,173,348                      | 2,479,831                      |
| National events  | 2,113,256                                 |   | 2,113,256                      | 2,672,420                      |
| Membership   | 1,871,193                                 |   | 1,871,193                      | 1,825,274                      |
| <b>Total program services</b>                                | <b>12,818,828</b>                         | <b>501,016</b>                            | <b>13,319,844</b>              | <b>14,210,060</b>              |
| Supporting services:   |   |   |                                |                                |
| General and administrative                                   | 1,491,543                                 |   | 1,491,543                      | 1,618,405                      |
| Marketing and sponsor development                            | 1,402,150                                 |   | 1,402,150                      | 1,250,116                      |
| Board of directors   | 97,830                                    |   | 97,830                         | 97,372                         |
| <b>Total supporting services</b>                             | <b>2,991,523</b>                          |   | <b>2,991,523</b>               | <b>2,965,893</b>               |
| <b>Total expenses</b>  | <b>15,810,351</b>                         | <b>501,016</b>                            | <b>16,311,367</b>              | <b>17,175,953</b>              |
| <b>CHANGE IN NET ASSETS</b>                                  | <b>905,234</b>                            | <b>(402,999)</b>                          | <b>502,235</b>                 | <b>(1,752,260)</b>             |
| <b>NET ASSETS, beginning of year</b>                         | <b>12,232,812</b>                         | <b>160,251</b>                            | <b>12,393,063</b>              | <b>14,145,323</b>              |
| <b>TRANSFER OF NET ASSETS</b>                                | <b>(360,000)</b>                          | <b>360,000</b>                            |                                |                                |
| <b>NET ASSETS, end of year</b>                               | <b>\$ 12,778,046</b>                      | <b>\$ 117,252</b>                         | <b>\$ 12,895,298</b>           | <b>\$ 12,393,063</b>           |

See Notes to Consolidating Financial Statements

USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION  
Consolidating Statement of Cash Flows  
For the Year Ended December 31, 2016  
(With Consolidated Totals for 2015)

|  | (Audited)<br>USA Triathlon<br>of Colorado | (Compiled)<br>USA Triathlon<br>Foundation | Eliminating<br>Entries | 2016<br>Consolidated<br>Totals | 2015<br>Consolidated<br>Totals |
|--|---|---|------------------------|--------------------------------|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |   |   |                        |                                |                                |
| Change in net assets   | \$ 905,234                                | \$ (402,999)                              | \$                     | \$ 502,235                     | \$ (1,752,260)                 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |   |   |                        |                                |                                |
| Depreciation   | 339,930                                   |   |                        | 339,930                        | 408,188                        |
| Unrealized (gain) loss on investments  | (167,861)                                 |   |                        | (167,861)                      | 867,802                        |
| Loss (income) from investment in Lagardere   | (100,947)                                 |   |                        | (100,947)                      | 186,496                        |
| Decrease (increase) in assets:   |   |   |                        |                                |                                |
| Accounts receivable, net   | 75,047                                    | 2,500                                     |                        | 77,547                         | (394,515)                      |
| Contribution receivable  |   | (680)                                     |                        | (680)                          |                                |
| Due from USOC  | 10,000                                    |   |                        | 10,000                         | (10,000)                       |
| Due to/from USA Triathlon of Colorado  |   | (10,214)                                  | 10,214                 |                                |                                |
| Prepaid expenses   | 778,954                                   |   |                        | 778,954                        | (158,787)                      |
| Increase (decrease) in liabilities:  |   |   |                        |                                |                                |
| Accounts payable   | 103,245                                   | (14,444)                                  |                        | 88,801                         | (126,395)                      |
| Due to/from USA Triathlon Foundation   | 10,214                                    |   | (10,214)               |                                |                                |
| Due to USOC  | 24,600                                    |   |                        | 24,600                         |                                |
| Accrued liabilities  | 24,871                                    |   |                        | 24,871                         | 10,113                         |
| Deferred revenue   | 334,979                                   |   |                        | 334,979                        | 659,337                        |
| Total adjustments  | <u>1,433,032</u>                          | <u>(22,838)</u>                           |                        | <u>1,410,194</u>               | <u>1,442,239</u>               |
| Net cash provided (used) by operating activities   | 2,338,266                                 | (425,837)                                 |                        | 1,912,429                      | (310,021)                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |   |   |                        |                                |                                |
| Acquisition of property and equipment  | (84,109)                                  |   |                        | (84,109)                       | (103,943)                      |
| Proceeds from sale of investments  | 2,374,073                                 |   |                        | 2,374,073                      | 2,115,033                      |
| Purchase of investments  | (2,626,009)                               |   |                        | (2,626,009)                    | (2,747,693)                    |
| Increase in notes receivable   |   |   |                        |                                | (4,783)                        |
| Net cash used by investing activities  | (336,045)                                 |   |                        | (336,045)                      | (741,386)                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |   |   |                        |                                |                                |
| Transfer of net assets   | (360,000)                                 | 360,000                                   |                        |                                |                                |
| Net cash provided (used) by financing activities   | (360,000)                                 | 360,000                                   |                        |                                |                                |
| NET INCREASE (DECREASE) IN CASH  | 1,642,221                                 | (65,837)                                  |                        | 1,576,384                      | (1,051,407)                    |
| CASH AND CASH EQUIVALENTS, beginning of year   | <u>3,104,237</u>                          | <u>172,195</u>                            |                        | <u>3,276,432</u>               | <u>4,327,839</u>               |
| CASH AND CASH EQUIVALENTS, end of year   | <u>\$ 4,746,458</u>                       | <u>\$ 106,358</u>                         | <u>\$</u>              | <u>\$ 4,852,816</u>            | <u>\$ 3,276,432</u>            |

See Notes to Consolidating Financial Statements



USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION  
Notes to Consolidating Financial Statements  
For the Year Ended December 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Triathlon of Colorado (the Corporation) is the national governing body for the sport of triathlon, making it responsible for the promotion and development of triathlon in the United States.

USA Triathlon Foundation (the Foundation) was incorporated in 2014. The purpose of the Foundation is to raise funds and acquire assets that will enable USA Triathlon of Colorado to encourage, improve and promote the sport of triathlon in the United States.

Income Taxes

The Corporation and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not subject to federal income tax. However, income from certain activities not directly related to the Corporation's tax-exempt purposes is subject to taxation as unrelated business income.

The Corporation's and Foundation's forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Corporation and the Foundation believe that they do not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's and the Foundation's cash balances in their respective checking and money market accounts.

The Corporation and the Foundation maintain their cash and cash equivalents at commercial banks. In the unlikely event of a bank failure, the Corporation and the Foundation might only be able to recover the amounts insured.

Included in the Corporation's reserved cash, which is required to be kept in a separate bank account, are amounts received from tenants of the office building for renter's deposits.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash and Cash Equivalents - Continued

Reserved cash for the years ended December 31, 2016 and 2015, was \$15,000.

#### Depreciation

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 gifts. Depreciation is recorded using the straight-line method over an estimated useful life of three to five years for furniture and equipment and thirty years for buildings and improvements. Depreciation expense was \$339,930 and \$408,188 for the years ended December 31, 2016 and 2015, respectively.

#### Accounts Receivable

Accounts receivable are stated at the amount the Corporation and Foundation expect to collect from balances outstanding at year-end. Based on the Corporation's experience with individuals and entities having outstanding balances, it has concluded that an allowance for doubtful accounts of \$13,875 was necessary for each of the years ended December 31, 2016 and 2015.

#### Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Corporation and Foundation distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The Foundation expects to realize the pledge of \$680 in less than one year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2016.

#### Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statements of activities as satisfied program restrictions.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### In-kind Contributions

Sponsorship income in the form of in-kind goods is reported as revenue and expense in the fiscal year it is received. The Corporation received \$1,899,639 and \$1,952,459 of in-kind contributions for the years ended December 31, 2016 and 2015, respectively. The Foundation received \$0 of in-kind contributions for both years ended December 31, 2016 and 2015.

#### Investments

The Corporation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Corporation records its limited partnership holdings and hedge funds at cost as of the date of investment and thereafter carries such investments primarily at estimated fair value based upon information provided by the investment broker.

#### Membership Registrations

Membership registrations for single events are recognized as revenue upon receipt. Revenue from one, two and three-year memberships are recognized ratably over the term of the membership.

#### Use of Estimates in Preparation of Financial Statements

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

#### Supplemental Cash Flow Information

During the years ended December 31, 2016 and 2015, the Corporation did not pay any income taxes. The Corporation paid \$133,695 of interest expense during each of the years ended December 31, 2016 and 2015. The Foundation did not pay any interest or income taxes during the years ended December 31, 2016 and 2015.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 24, 2017, the date the financial statements were available to be issued.

#### Reclassifications

Certain 2015 amounts have been reclassified to conform with the 2016 financial statement presentation.

### B. FAIR VALUE MEASUREMENTS

The Corporation and Foundation apply 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 Corporation and Foundation have the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

Assets at Fair Value as of December 31, 2016

|                             | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>        |
|-----------------------------|---------------------|-------------------|----------------|---------------------|
| Mutual funds & ETFs         | \$ 3,713,778        | \$                | \$             | \$ 3,713,778        |
| Corporate fixed income      | 2,139,122           |                   |                | 2,139,122           |
| Common stock                | 2,010,013           |                   |                | 2,010,013           |
| Money market                | 489,949             |                   |                | 489,949             |
| Limited partnership holding |                     | 472,973           |                | 472,973             |
| Alternative investments     |                     | 448,106           |                | 448,106             |
| Government obligations      | 340,430             |                   |                | 340,430             |
|                             | <u>\$ 8,693,292</u> | <u>\$ 921,079</u> | <u>\$</u>      | <u>\$ 9,614,371</u> |

Assets at Fair Value as of December 31, 2015

|                             | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>        |
|-----------------------------|---------------------|-------------------|----------------|---------------------|
| Mutual funds & ETFs         | \$ 3,147,623        | \$                | \$             | \$ 3,147,623        |
| Corporate fixed income      | 2,864,129           |                   |                | 2,864,129           |
| Common stock                | 1,475,610           |                   |                | 1,475,610           |
| Limited partnership holding |                     | 473,698           |                | 473,699             |
| Money market                | 454,311             |                   |                | 454,311             |
| Alternative investments     |                     | 441,209           |                | 441,209             |
| Government obligations      | 326,049             |                   |                | 326,049             |
|                             | <u>\$ 8,267,722</u> | <u>\$ 914,907</u> | <u>\$</u>      | <u>\$ 9,182,629</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 Corporation's and Foundation'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

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

high correlation to overall market direction. Though the market values of investments are subject to fluctuation, management believes that the investment policy is prudent for the long-term welfare of the Corporation and the Foundation.

Investment revenues are reported net of related investment expenses in the statement of activities. The amount of expenses netted with revenues was \$54,710 and \$55,738 for the years ended December 31, 2016 and 2015, respectively.

Investment income (loss) in the accompanying consolidating statement of activities consists of the following for the years ended December 31, 2016 and 2015:

|                           | <u>2016</u>       | <u>2015</u>         |
|---------------------------|-------------------|---------------------|
| Realized gains            | \$ 23,714         | \$ 232,928          |
| Interest and dividends    | 280,845           | 430,096             |
| Unrealized gains (losses) | 222,571           | (812,064)           |
| Expenses                  | <u>(54,710)</u>   | <u>(55,738)</u>     |
|                           | <u>\$ 472,420</u> | <u>\$ (204,778)</u> |

C. INVESTMENTS MEASURED USING THE EQUITY METHOD

During the year ended December 31, 2012, the Corporation entered into a joint venture to form Lagardere Unlimited Upsolut USAT LLC (Lagardere).

The Corporation holds a 22% interest in the entity and exercises significant influence over the activities of the entity. Lagardere's summarized financial information is presented in the table below:

|  |            |
|--|------------|
| Total assets   | \$ 134,233 |
| Total liabilities  | 2,408,965  |
| Results of operations<br>for the year ended<br>December 31, 2016 | 100,947    |

At December 31, 2016, the Corporation had recorded in its financial statements \$184,924 of accounts receivable and a \$303,200 current note receivable due from Lagardere.

Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue at December 31, 2016 and 2015, consists of the following:

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| Membership                                 | \$ 4,919,656        | \$ 4,629,257        |
| Team USA and national events               | 290,803             | 236,331             |
| Coaching Conference                        | 30,146              | 48,095              |
| Building security deposits<br>and rent     | 27,341              | 17,109              |
| Race Director Certification<br>& Symposium | <u>1,800</u>        | <u>3,975</u>        |
|  | <u>\$ 5,269,746</u> | <u>\$ 4,934,767</u> |

E. MEMBERSHIP REGISTRATIONS

Membership registrations for the years ended December 31, 2016 and 2015, consist of the following:

|                 | <u>2016</u>         | <u>2015</u>         |
|-----------------|---------------------|---------------------|
| Adult annual    | \$ 4,893,180        | \$ 4,588,792        |
| One-day permits | 3,744,951           | 3,539,347           |
| Youth annual    | 320,236             | 266,100             |
| Elite annual    | <u>24,410</u>       | <u>21,510</u>       |
|                 | <u>\$ 8,982,777</u> | <u>\$ 8,415,749</u> |

F. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Corporation. Total grants from the USOC for the years ended December 31, 2016 and 2015, consist of the following:

|                               | <u>2016</u>       | <u>2015</u>       |
|-------------------------------|-------------------|-------------------|
| NGB funding                   | \$ 743,352        | \$ 648,600        |
| Value-in-kind                 | 63,741            | 113,997           |
| Other grants                  | 25,500            |                   |
| International relations grant | <u>8,000</u>      | <u>50,000</u>     |
|                               | <u>\$ 840,593</u> | <u>\$ 812,597</u> |

In January, 2013 the Corporation entered into a digital media agreement with the USOC. The term of the agreement is January 1, 2013 through December 31, 2016. The Corporation received \$300,000 in digital media fees for both years ended December 31, 2016 and 2015. These amounts are included in corporate sponsorships in the consolidating statement of activities and changes in net assets.

Notes to Financial Statements

F. RELATED PARTY TRANSACTIONS - Continued

At December 31, 2016 and 2015, the Corporation owed \$26,557 and \$1,957 to the USOC for program expenses, respectively. At December 31, 2015, the USOC owed the Corporation \$10,000.

Some members of the Board of Directors earn a portion of their living staging triathlon races sanctioned by USA Triathlon. The Directors do not receive any compensation from the Corporation for these events. Board members do not receive compensation for their service on the Board of Directors.

G. RETIREMENT PLAN

The Corporation sponsors a 401(k) retirement plan. To be eligible, an employee must be 21 years of age and have ninety days of continuous employment. The Corporation makes a matching contribution for all eligible employees of up to 5% of eligible compensation. The Corporation may also make a discretionary contribution. Pension expense for the years ended December 31, 2016 and 2015, amounted to \$97,994 and \$91,039, respectively.

H. LEASES

The Corporation leases a postage machine requiring monthly payments of \$236 through September 2017.

The Corporation leases copiers under an operating lease which commenced in November 2013, and continues through January 2017. This lease requires monthly payments of \$1,177. The Corporation leases copiers under an operating agreement which commenced in March 2017, and continues through February 2021. This lease requires monthly payments of \$626. The Corporation also leases a copier on behalf of Lagardere requiring monthly payments of \$306 through April 2017.

Future minimum lease payments are as follows:

|      |    |        |
|------|----|--------|
| 2017 | \$ | 12,037 |
| 2018 |    | 7,514  |
| 2019 |    | 7,514  |
| 2020 |    | 7,514  |
| 2121 |    | 1,252  |

The Corporation leases a portion of the national headquarters building to unrelated tenants under leases with various terms.



## Notes to Financial Statements

### I. NOTE PAYABLE

The Corporation purchased a building during the year ended December 31, 2013. The seller financed the purchase of this building under the terms of a promissory note dated December 20, 2013. The original amount of this note was \$2,971,000 and bears interest at 4.5% per annum. Monthly payments of interest only are due through December 15, 2018, at which time all outstanding principal and interest is due. The Corporation has the option to prepay this note at any time without any prepayment penalty.

USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION

Consolidated Schedule of Program Services  
For the Year Ended December 31, 2016

|                                     | High Performance | Event Services | Sport Development | National Events | Membership   | Total         |
|-------------------------------------|------------------|----------------|-------------------|-----------------|--------------|---------------|
| Advertising                         | \$ 6,500         | \$ 6,244       | \$ 759            | \$ 2,500        | \$           | \$ 16,003     |
| Airfare                             | 542,873          | 62,540         | 55,866            | 39,334          | 3,399        | 704,412       |
| Awards                              | 3,498            | 81,327         | 1,500             | 278,937         | 6,297        | 371,559       |
| Bank charges & credit card fees     | 12,266           | 68,574         | 23,237            | 10,766          | 141,842      | 256,685       |
| Banners                             |                  | 7,402          | 675               | 8,928           |              | 17,005        |
| Computer expense                    | 1,510            | 3,030          | 1,951             | 279             | 2,334        | 9,104         |
| Contract labor                      | 205,970          | 6,718          | 51,059            | 178,071         | 114,800      | 556,618       |
| Depreciation                        | 15,725           | 13,759         | 27,518            | 15,725          | 129,836      | 202,563       |
| Dues & subscriptions                | 925              | 6,892          | 500               | 104             | 23,522       | 31,943        |
| Educational                         | 1,154            | 1,372          | 2,070             | 690             | 2,810        | 8,096         |
| Employee benefits                   | 38,195           | 37,345         | 54,303            | 41,351          | 43,686       | 214,880       |
| Entry fees                          | 32,909           | 217            | 374,283           |                 |              | 407,409       |
| Equipment rental & purchase         | 13,833           | 7,558          |                   | 8,149           | 2,380        | 31,920        |
| Equity in net income on investments |                  |                |                   | (100,947)       |              | (100,947)     |
| Grants & sponsorships               | 68,707           | 62,528         | 516,215           | 375             |              | 647,825       |
| Ground transportation               | 92,761           | 55,478         | 20,728            | 58,601          | 1,509        | 229,077       |
| Hospitality                         | 12,676           | 18,145         | 150,970           | 111,613         | 350          | 293,754       |
| Incentives                          | 148,142          | 18,076         | 5,900             | 67,378          |              | 239,496       |
| Insurance                           | 3,542            | 2,203,289      | 3,573             |                 |              | 2,210,404     |
| Licenses & registration fees        | 16,628           | 1,853          | 28,994            | 607             | 2,617        | 50,699        |
| Meals & lodging                     | 573,500          | 127,664        | 123,246           | 65,312          | 12,314       | 902,036       |
| Medical                             | 55,496           |                | 594               | 534             |              | 56,624        |
| Merchandise                         | 3,799            |                | 113,514           | 1,035           | 668          | 119,016       |
| Miscellaneous                       | 17,419           | 386            | 726               | 6,094           | 1,196        | 25,821        |
| Office supplies                     | 110              | 1,897          | 2,587             | 963             | 117          | 5,674         |
| Payroll taxes                       | 43,041           | 34,386         | 27,875            | 25,033          | 41,676       | 172,011       |
| Postage & shipping                  | 12,235           | 14,256         | 9,175             | 17,798          | 305,892      | 359,356       |
| Printing                            | 810              | 5,273          | 4,451             | 51,290          | 352,566      | 414,390       |
| Professional fees                   | 3,360            | 61,300         | 27,008            | 7,100           | 81,682       | 180,450       |
| Occupancy                           | 41,442           | 21,164         | 41,711            | 223,861         | 34,113       | 362,291       |
| Salaries                            | 613,162          | 427,189        | 427,292           | 301,198         | 526,761      | 2,295,602     |
| Scholarships                        | 1,750            |                |                   |                 |              | 1,750         |
| Stipends                            | 237,377          | 56,773         | 1,700             | 70,766          | 600          | 367,216       |
| Telephone                           | 18,956           | 7,118          | 14,738            | 11,777          | 18,196       | 70,785        |
| Uniforms                            | 37,594           | 14,764         | 54                | 57              |              | 52,469        |
| Value-in-kind                       | 840,740          | 8,525          | 58,576            | 607,977         | 20,030       | 1,535,848     |
|                                     | \$ 3,718,605     | \$ 3,443,442   | \$ 2,173,348      | \$ 2,113,256    | \$ 1,871,193 | \$ 13,319,844 |

USA TRIATHLON OF COLORADO  
USA TRIATHLON FOUNDATION  
Consolidated Schedule of Supporting Services  
For the Year Ended December 31, 2016

|                              | General and<br>Administrative | Marketing<br>and Sponsor<br>Development | Board of<br>Directors | Total               |
|------------------------------|-------------------------------|---|-----------------------|---------------------|
| Advertising                  | \$                            | \$ 45,867                               | \$                    | \$ 45,867           |
| Airfare                      | 13,107                        | 16,770                                  | 25,725                | 55,602              |
| Awards                       | 5,451                         | 2,324                                   | 1,050                 | 8,825               |
| Bad debt                     | 607                           |   |                       | 607                 |
| Bank charges                 | 27,135                        | 20,061                                  |                       | 47,196              |
| Banners                      |                               | 3,546                                   |                       | 3,546               |
| Computer expense             | 75                            | 2,402                                   | 10                    | 2,487               |
| Contract labor               | 32,842                        | 52,656                                  |                       | 85,498              |
| Depreciation                 | 37,346                        | 29,484                                  |                       | 66,830              |
| Dues & subscriptions         | 7,221                         | 5,541                                   |                       | 12,762              |
| Educational                  | 1,214                         | 1,625                                   |                       | 2,839               |
| Employee benefits            | 141,889                       | 56,304                                  |                       | 198,193             |
| Entertainment/social         | 10,998                        |   |                       | 10,998              |
| Equipment rental & purchase  | 12,822                        |   | 185                   | 13,007              |
| Ground transportation        | 2,984                         | 9,600                                   | 4,985                 | 17,569              |
| Hospitality                  | 176                           | 13,282                                  | 168                   | 13,626              |
| Insurance                    | 568                           |   |                       | 568                 |
| Legal                        | 133,846                       |   |                       | 133,846             |
| Licenses & registration fees | 904                           | 16,255                                  | 25                    | 17,184              |
| Meals & lodging              | 16,383                        | 41,597                                  | 45,697                | 103,677             |
| Merchandise                  |                               | 8,254                                   |                       | 8,254               |
| Miscellaneous                | 37,970                        |   | 1,060                 | 39,030              |
| Occupancy                    | 44,184                        | 45,296                                  | 2,128                 | 91,608              |
| Office supplies              | 35,507                        | 1,663                                   | 276                   | 37,446              |
| Payroll taxes                | 44,122                        | 40,971                                  |                       | 85,093              |
| Postage & shipping           | 4,761                         | 8,585                                   | 525                   | 13,871              |
| Printing                     | 1,733                         | 2,202                                   | 77                    | 4,012               |
| Professional fees            | 75,755                        | 7,108                                   | 15,481                | 98,344              |
| Salaries                     | 796,463                       | 596,109                                 |                       | 1,392,572           |
| Stipends/honorariums         | (4,917)                       |   |                       | (4,917)             |
| Telephone                    | 10,347                        | 10,907                                  | 438                   | 21,692              |
| Value-in-kind                | 50                            | 363,741                                 |                       | 363,791             |
|                              | <u>\$ 1,491,543</u>           | <u>\$ 1,402,150</u>                     | <u>\$ 97,830</u>      | <u>\$ 2,991,523</u> |