

**UNITED STATES FIGURE SKATING  
ASSOCIATION AND AFFILIATES**

**Consolidated Financial Statements**

**And**

**Supplemental Schedules**

**For the Years Ended June 30, 2015 and 2014**

**And**

**Independent Auditors' Report**

# UNITED STATES FIGURE SKATING ASSOCIATION

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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, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2015 and 2014, 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.

## **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 17 and 18 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*

September 22, 2015

# UNITED STATES FIGURE SKATING ASSOCIATION

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

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	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,697,789	\$ 2,169,680
Accounts receivable, net	759,679	2,158,416
Promise to give	262,085	252,627
Investments	82,229,490	80,543,087
Inventory	106,949	103,372
Prepaid expenses and other assets	921,993	463,156
Property and equipment, net	3,310,054	3,117,155
Historical artifacts	<u>688,261</u>	<u>688,261</u>
TOTAL ASSETS	<u>\$ 89,976,300</u>	<u>\$ 89,495,754</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,897,982	\$ 1,055,243
Deferred revenue	<u>2,188,823</u>	<u>1,564,435</u>
Total liabilities	<u>4,086,805</u>	<u>2,619,678</u>
<b>NET ASSETS</b>		
Unrestricted:		
Board-designated for reserves	70,720,959	72,076,470
Board-designated for skaters	9,943,376	9,844,141
Invested in property and equipment, and historical artifacts	<u>3,998,315</u>	<u>3,805,416</u>
Total unrestricted	84,662,650	85,726,027
Temporarily restricted	695,285	627,947
Permanently restricted	<u>531,560</u>	<u>522,102</u>
Total net assets	<u>85,889,495</u>	<u>86,876,076</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,976,300</u>	<u>\$ 89,495,754</u>

See notes to consolidated financial statements.

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# UNITED STATES FIGURE SKATING ASSOCIATION

## CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT								
Net investment income	\$ 3,113,759	\$ 35,913		\$ 3,149,672	\$ 11,598,671	\$ 89,752		\$ 11,688,423
Dues, admissions and activity fees	5,496,779			5,496,779	5,314,757			5,314,757
Broadcasting and licensing	5,143,343			5,143,343	5,554,637			5,554,637
Skating events and sponsorships	2,289,517			2,289,517	2,511,991			2,511,991
USOC and PSA grants	1,016,094			1,016,094	1,019,277			1,019,277
Contributions	306,594	62,451	\$ 9,458	378,503	396,641	203,307	\$ 9,458	609,406
Publications	220,568			220,568	253,910			253,910
Net assets released from restrictions	31,026	(31,026)			36,850	(36,850)		
Total revenue, gains and other support	<u>17,617,680</u>	<u>67,338</u>	<u>9,458</u>	<u>17,694,476</u>	<u>26,686,734</u>	<u>256,209</u>	<u>9,458</u>	<u>26,952,401</u>
EXPENSES								
Program services:								
Skating events	7,163,498			7,163,498	5,774,253			5,774,253
Development and support of athletes	5,221,861			5,221,861	6,163,275			6,163,275
Membership activities and services	2,390,778			2,390,778	2,169,225			2,169,225
Publications	478,336			478,336	476,276			476,276
Governance and judging	437,158			437,158	493,776			493,776
Total program services	<u>15,691,631</u>	<u>—</u>	<u>—</u>	<u>15,691,631</u>	<u>15,076,805</u>	<u>—</u>	<u>—</u>	<u>15,076,805</u>
Supporting services:								
Management and general	2,090,976			2,090,976	1,870,405			1,870,405
Donor development	898,450			898,450	785,589			785,589
Total supporting services	<u>2,989,426</u>	<u>—</u>	<u>—</u>	<u>2,989,426</u>	<u>2,655,994</u>	<u>—</u>	<u>—</u>	<u>2,655,994</u>
Total expenses	<u>18,681,057</u>	<u>—</u>	<u>—</u>	<u>18,681,057</u>	<u>17,732,799</u>	<u>—</u>	<u>—</u>	<u>17,732,799</u>
CHANGE IN NET ASSETS	(1,063,377)	67,338	9,458	(986,581)	8,953,935	256,209	9,458	9,219,602
NET ASSETS, Beginning of year	<u>85,726,027</u>	<u>627,947</u>	<u>522,102</u>	<u>86,876,076</u>	<u>76,772,092</u>	<u>371,738</u>	<u>512,644</u>	<u>77,656,474</u>
NET ASSETS, End of year	<u>\$ 84,662,650</u>	<u>\$ 695,285</u>	<u>\$ 531,560</u>	<u>\$ 85,889,495</u>	<u>\$ 85,726,027</u>	<u>\$ 627,947</u>	<u>\$ 522,102</u>	<u>\$ 86,876,076</u>

See notes to consolidated financial statements.

# UNITED STATES FIGURE SKATING ASSOCIATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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	2015	2014
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (986,581)	\$ 9,219,602
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	455,109	323,441
Realized and unrealized gains	(2,104,326)	(10,614,785)
Contributions restricted to endowment	(9,458)	(9,458)
Change in beneficial interest in trust		825
Changes in operating assets and liabilities:		
Accounts receivable, net	1,398,737	(1,496,183)
Inventory	(3,577)	16,995
Prepaid expenses and other assets	(458,837)	498,762
Accounts payable and accrued expenses	842,739	(138,292)
Deferred revenue	<u>624,388</u>	<u>142,248</u>
Net cash used in operating activities	<u>(241,806)</u>	<u>(2,056,845)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(26,273,962)	(12,003,318)
Sales of investments	26,691,885	14,463,413
Purchases of property and equipment	<u>(648,008)</u>	<u>(764,187)</u>
Net cash provided by (used in) investing activities	<u>(230,085)</u>	<u>1,695,908</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(471,891)	(360,937)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,169,680</u>	<u>2,530,617</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,697,789</u>	<u>\$ 2,169,680</u>

See notes to consolidated financial statements.

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# UNITED STATES FIGURE SKATING ASSOCIATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 690 member clubs and more than 190,000 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 three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

**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, our 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, 2015, and 2014 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, 2015.

**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 2 for additional information on fair value measurements.

Earnings on restricted investments are reported as an increase in unrestricted net assets 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 temporarily restricted net assets according to the nature of the restrictions on the original gift. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets 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, 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 estimated fair 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 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 unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets 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.

**Functional Allocation of Expense** — The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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. Tax years that remain subject to examination include the year ended June 30, 2012 through the current period.

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

**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. 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 Company 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.

Investments in equity securities and mutual funds are priced at quoted prices in active markets. Investments in fixed income securities including U.S. Treasury notes and mortgage-backed securities are valued by third parties based on quoted prices for identical or similar assets 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 fair values of the underlying investments, based on quoted market prices and fair values as estimated by the managers of the related 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 fair 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. There was no significant change to the valuation methodology used by these funds during the year.

The Organization considers several factors in appropriately classifying the investment funds in the fair value hierarchy. An investment is generally classified as Level 2 if the Organization has the ability to withdraw its investment with the investment fund at net asset value (NAV) at the measurement date. An investment is generally classified as Level 3 if the Organization does not have the ability to withdraw its investment with the investment fund at NAV, such as investments in closed-end funds, "side pockets", or funds with suspended withdrawals imposed. If the Organization cannot withdraw its investment with the investment fund at NAV when such investment is subject to "lock up" or gate, or its withdrawal period does not coincide with the Foundation's measurement date, the Organization considers the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment should be classified as a Level 2 or Level 3 fair value measurement. In general, if the Organization has the ability to redeem its investment with the investment fund at or within twelve months of the measurement date, the investment fund interest is classified as Level 2. Otherwise, the investment fund interest has been classified as Level 3.

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 within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that investment.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of June 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2015:</b>				
Cash and money market funds	\$ 4,301,126	\$ 4,301,126		
Stocks:				
Domestic equity	828,752	828,752		
International equity	55,521	55,521		
Mutual funds:				
Domestic equity	27,689,555	27,689,555		
International equity	10,680,894	10,680,894		
Fixed income	9,554,207	9,554,207		
Real estate	2,591,887	2,591,887		
USOE portfolio	14,324,835		\$ 14,324,835	
Hedge funds	<u>12,202,713</u>	<u>                    </u>	<u>12,202,713</u>	<u>                    </u>
Total investments	<u>\$ 82,229,490</u>	<u>\$ 55,701,942</u>	<u>\$ 26,527,548</u>	<u>\$ —</u>
<b>2014:</b>				
Cash and money market funds	\$ 2,850,299	\$ 2,850,299		
Stocks:				
Domestic equity	8,672	8,672		
International equity	1,479	1,479		
Mutual funds:				
Domestic equity	25,745,309	25,745,309		
International equity	10,676,947	10,676,947		
Fixed income	9,566,473	9,566,473		
Real estate	2,514,279	2,514,279		
Balanced	103,121	103,121		
Fixed income securities:				
U.S. Treasury notes	2,135,658		\$ 2,135,658	
Mortgage-backed securities	891,074		891,074	
USOE portfolio	16,172,176		16,172,176	
Hedge funds	<u>9,877,600</u>	<u>                    </u>	<u>9,877,600</u>	<u>                    </u>
Total investments	<u>\$ 80,543,087</u>	<u>\$ 51,466,579</u>	<u>\$ 29,076,508</u>	<u>\$ —</u>

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

	<b>2015</b>	<b>2014</b>
Alternative investments	34 %	35 %
Domestic equities	30 %	27 %
International equities	25 %	25 %
Domestic bonds	6 %	6 %
International bonds	3 %	3 %
Cash and other	<u>2 %</u>	<u>4 %</u>
Total	<u>100 %</u>	<u>100 %</u>

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

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

	<b>2015</b>	<b>2014</b>
Dividend and interest income	\$ 1,239,055	\$ 1,270,891
Net realized and unrealized gains	2,104,326	10,614,785
Investment management and custodial fees	<u>(193,709)</u>	<u>(197,253)</u>
Net investment income	<u>\$ 3,149,672</u>	<u>\$ 11,688,423</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.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<b>2015</b>	<b>2014</b>
Land	\$ 237,963	\$ 237,963
Buildings	3,011,999	2,990,616
Equipment	3,463,576	3,286,334
Software	<u>1,922,997</u>	<u>1,483,294</u>
Total	8,636,535	7,998,207
Less accumulated depreciation	<u>5,326,481</u>	<u>4,881,052</u>
Total	<u>\$ 3,310,054</u>	<u>\$ 3,117,155</u>

#### 4. OPERATING LEASE

The Organization leases a printer, copying equipment and phone system under non-cancellable operating lease agreements expiring between May 2014 and January 2017. The future minimum annual lease payments are as follows:

2016	\$ 54,574
2017	<u>10,650</u>
Total	<u>\$ 65,224</u>

Lease expense for the years ended June 30, 2015 and 2014 was \$43,924 and \$82,157, respectively.

#### 5. RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity and the beneficial interest in the trust. Interest earned on permanently restricted net assets may be appropriated for expenditure in satisfaction of donor-specified purposes and in accordance with the trust agreement.

Temporarily restricted net assets are restricted by donors for particular purposes and consist of the following at June 30:

	2015	2014
Skater assistance	\$ 385,128	\$ 309,186
Museum operations	131,746	110,729
Club activities	99,049	131,303
Awards	<u>79,362</u>	<u>76,729</u>
Total	<u>\$ 695,285</u>	<u>\$ 627,947</u>

Board restricted net assets are unrestricted net assets designated by the board of directors for reserves and for the support of skaters.

#### 6. ENDOWMENT FUNDS

The Organization's endowment consists of donor-related 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 permanently restricted net assets (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 of accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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, 2015 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted for permanent operating endowment	\$ <u>—</u>	\$ <u>102,104</u>	\$ <u>531,560</u>	\$ <u>633,664</u>

Changes in Endowment Net Assets for the year ended June 30, 2015 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ <u>—</u>	\$ <u>87,809</u>	\$ <u>522,102</u>	\$ <u>609,911</u>
Investment return:				
Investment income		4,284		4,284
Net realized and unrealized appreciation		<u>10,011</u>		<u>10,011</u>
Total investment return	<u>—</u>	<u>14,295</u>	<u>—</u>	<u>14,295</u>
Contributions			<u>9,458</u>	<u>9,458</u>
Endowment net assets, end of year	\$ <u>—</u>	\$ <u>102,104</u>	\$ <u>531,560</u>	\$ <u>633,664</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2014 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted for permanent operating endowment	\$ <u>—</u>	\$ <u>87,809</u>	\$ <u>522,102</u>	\$ <u>609,911</u>

Changes in Endowment Net Assets for the year ended June 30, 2014 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ (2,660)	\$ 60,127	\$ 512,644	\$ 570,111
Investment return:				
Investment income	2,660	8,536		11,196
Net realized and unrealized appreciation	<u>                    </u>	<u>19,146</u>	<u>                    </u>	<u>19,146</u>
Total investment return	2,660	27,682	—	30,342
Contributions	<u>                    </u>	<u>                    </u>	<u>9,458</u>	<u>9,458</u>
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 87,809</u>	<u>\$ 522,102</u>	<u>\$ 609,911</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. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2015 and 2014.

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 in (CPI) annually. Actual returns in any given year may vary from this amount.

## **7. 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 \$137,767 and \$132,800 for the years ended June 30, 2015 and 2014, respectively.

## **8. COMMITMENTS AND CONTINGENCIES**

In the normal course of conducting events and activities, the Organization entered into a variety of contracts that may include revenue and expense sharing agreements, guarantees, limitations reimbursements arrangements, and other terms and conditions that entitle or obligates the Organization to receive income or incur expenses in future periods.

**9. CONCENTRATIONS**

The Organization had amounts due from a company at June 30, 2015 and 2014 comprising 48% and 74%, respectively, of total accounts receivable. The Organization had amounts due from another company at June 30, 2015 comprising 40% of total accounts receivable.

**UNITED STATES FIGURE SKATING  
ASSOCIATION**

**SUPPLEMENTAL SCHEDULES**

# UNITED STATES FIGURE SKATING ASSOCIATION

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2015

	USFS Association	USFS Foundation	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,697,789			\$ 1,697,789
Accounts receivable, net	770,729		\$ (11,050)	759,679
Promises to give	262,085			262,085
Investments	4,213,900	\$ 78,015,590		82,229,490
Inventory	106,949			106,949
Prepaid expenses and other assets	921,993			921,993
Property and equipment, net	3,310,054			3,310,054
Historical artifacts	<u>688,261</u>	<u>                    </u>	<u>                    </u>	<u>688,261</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,971,760</u>	<u>\$ 78,015,590</u>	<u>\$ (11,050)</u>	<u>\$ 89,976,300</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 1,897,982	\$ 11,050	\$ (11,050)	\$ 1,897,982
Deferred revenue	<u>2,188,823</u>	<u>                    </u>	<u>                    </u>	<u>2,188,823</u>
<b>Total liabilities</b>	<u>4,086,805</u>	<u>11,050</u>	<u>(11,050)</u>	<u>4,086,805</u>
<b>NET ASSETS</b>				
Unrestricted:				
Board-designated for reserves	1,746,898	68,974,061		70,720,959
Board-designated for skaters	1,042,259	8,901,117		9,943,376
Invested in property and equipment and historical artifacts	<u>3,998,315</u>	<u>                    </u>	<u>                    </u>	<u>3,998,315</u>
<b>Total unrestricted</b>	<u>6,787,472</u>	<u>77,875,178</u>	<u>—</u>	<u>84,662,650</u>
Temporarily restricted	615,923	79,362		695,285
Permanently restricted	<u>481,560</u>	<u>50,000</u>	<u>                    </u>	<u>531,560</u>
<b>Total net assets</b>	<u>7,884,955</u>	<u>78,004,540</u>	<u>—</u>	<u>85,889,495</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,971,760</u>	<u>\$ 78,015,590</u>	<u>\$ (11,050)</u>	<u>\$ 89,976,300</u>

# UNITED STATES FIGURE SKATING ASSOCIATION

## CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	USFS Association	USFS Foundation	Eliminations	Total
<b>REVENUE GAINS AND OTHER SUPPORT</b>				
Net investment income	\$ 61,674	\$ 3,087,998		\$ 3,149,672
Dues, admissions and activity fees	5,496,779			5,496,779
Broadcasting and licensing	5,143,343			5,143,343
Skating events and sponsorships	2,289,517			2,289,517
USOC and PSA grants	1,016,094			1,016,094
Contributions	2,908,877	4,539	\$ (2,534,913)	378,503
Publications	220,568			220,568
Total gains and other support	<u>17,136,852</u>	<u>3,092,537</u>	<u>(2,534,913)</u>	<u>17,694,476</u>
<b>EXPENSES</b>				
Program services:				
Skating events	7,163,498			7,163,498
Development and support of athletes	5,221,861			5,221,861
Membership activities and services	2,390,778			2,390,778
Publications	478,336			478,336
Governance and judging	437,158			437,158
Total program services	<u>15,691,631</u>	<u>—</u>	<u>—</u>	<u>15,691,631</u>
Supporting services:				
Management and general	2,043,760	47,216		2,090,976
Donor development	898,450			898,450
Support provided to USFS Association		2,534,913	(2,534,913)	
Total supporting services	<u>2,942,210</u>	<u>2,582,129</u>	<u>(2,534,913)</u>	<u>2,989,426</u>
Total expenses	<u>18,633,841</u>	<u>2,582,129</u>	<u>(2,534,913)</u>	<u>18,681,057</u>
Change in net assets	(1,496,989)	510,408	—	(986,581)
NET ASSETS, Beginning of year	<u>9,381,944</u>	<u>77,494,132</u>	<u>—</u>	<u>86,876,076</u>
NET ASSETS, End of year	<u>\$ 7,884,955</u>	<u>\$ 78,004,540</u>	<u>\$ —</u>	<u>\$ 85,889,495</u>