

UNITED STATES LUGE ASSOCIATION, INC.

Financial Statements
(With Independent Auditors' Report)

For the Years Ended August 31, 2019 and 2018

UNITED STATES LUGE ASSOCIATION, INC.
For the Years Ended August 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United States Luge Association, Inc.
Lake Placid, New York

We have audited the accompanying financial statements of the United States Luge Association, Inc. (a nonprofit organization, the "Association"), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the organization as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, the Association adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The most significant provisions of the update addresses classification of net assets, liquidity, and functional expense disclosure.

Report on Summarized Comparative Information

We have previously audited the United States Luge Association financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mc Soley McCoy & Co.

South Burlington, Vermont

March 20, 2020

VT Reg. No. 92-349

UNITED STATES LUGE ASSOCIATION, INC.

Statements of Financial Position

August 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 312,569	\$ 24,082
Restricted cash - athlete training fund	25,710	22,344
Accounts receivable	8,451	9,851
Prepaid expenses	23,893	15,025
Property and equipment, net	59,421	278,473
Beneficial interest in the assets of U.S. Luge Federation Foundation	1,493,667	1,472,889
Total assets	\$ 1,923,711	\$ 1,822,664
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 437,310	\$ 212,577
Line of credit	85,354	85,354
Capital lease obligation	2,222	4,691
Due to athletes	25,710	22,344
Total liabilities	550,596	324,966
Without donor restrictions	(120,552)	24,809
With donor restrictions	1,493,667	1,472,889
Total net assets	1,373,115	1,497,698
Total liabilities and net assets	\$ 1,923,711	\$ 1,822,664

See accompanying notes to the financial statements.

UNITED STATES LUGE ASSOCIATION, INC.

Statement of Activities

For the Year Ended August 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues, Gains and Other Support			
Support from United States Olympic Committee	\$ 1,379,156	\$ -	\$ 1,379,156
Corporate sponsor contributions	650,950	-	650,950
Change in value of beneficial interest	-	20,778	20,778
FIL grants, coaching fees and track fees	155,390	-	155,390
Trip revenue - development and candidate teams	299,536	-	299,536
Membership dues	28,850	-	28,850
Equipment and store sales	27,957	-	27,957
Promotional sponsorship	351,805	-	351,805
Event income	205,774	-	205,774
Program donations	176,393	-	176,393
Investment income	2	-	2
Other	260,426	-	260,426
	<u>3,536,239</u>	<u>20,778</u>	<u>3,557,017</u>
Expenses			
Program services:			
National team	1,582,780	-	1,582,780
Recruitment	91,377	-	91,377
Athlete development	349,932	-	349,932
Governance	6,336	-	6,336
Technical committee	379,543	-	379,543
Racing services	20,426	-	20,426
	<u>2,430,394</u>	<u>-</u>	<u>2,430,394</u>
Supporting services:			
General and administrative	227,757	-	227,757
Fundraising	769,910	-	769,910
	<u>997,667</u>	<u>-</u>	<u>997,667</u>
Loss on disposal of asset	253,539	-	253,539
	<u>3,681,600</u>	<u>-</u>	<u>3,681,600</u>
Change in net assets	(145,361)	20,778	(124,583)
Net assets - beginning of year	24,809	1,472,889	1,497,698
Net assets - end of year	<u>\$ (120,552)</u>	<u>\$ 1,493,667</u>	<u>\$ 1,373,115</u>

See accompanying notes to the financial statements.

UNITED STATES LUGE ASSOCIATION, INC.

Statement of Activities

For the Year Ended August 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains and Other Support			
Support from United States Olympic Committee	\$ 939,976	\$ -	\$ 939,976
Corporate sponsor contributions	806,421	-	806,421
U.S. Luge Federation Foundation	75,000	-	75,000
Change in value of beneficial interest	-	43,637	43,637
FIL grants, coaching fees and track fees	163,053	-	163,053
Trip revenue - development and candidate teams	330,083	-	330,083
Membership dues	35,015	-	35,015
Equipment and store sales	33,721	-	33,721
Promotional sponsorship	344,211	-	344,211
Event income	290,295	-	290,295
Program donations	130,125	-	130,125
Investment income	27	-	27
Other	212,952	-	212,952
	<u>3,360,879</u>	<u>43,637</u>	<u>3,404,516</u>
Expenses			
Program services:			
National team	1,532,184	-	1,532,184
Recruitment	123,436	-	123,436
Athlete development fund	317,129	-	317,129
Governance	612	-	612
Technical committee	333,555	-	333,555
Racing services	21,685	-	21,685
	<u>2,328,601</u>	<u>-</u>	<u>2,328,601</u>
Supporting services:			
General and administrative	252,363	-	252,363
Fundraising	885,795	-	885,795
	<u>1,138,158</u>	<u>-</u>	<u>1,138,158</u>
	<u>3,466,759</u>	<u>-</u>	<u>3,466,759</u>
Change in net assets	(105,880)	43,637	(62,243)
Net assets - beginning of year	130,689	1,429,252	1,559,941
Net assets - end of year	<u>\$ 24,809</u>	<u>\$ 1,472,889</u>	<u>\$ 1,497,698</u>

See accompanying notes to the financial statements.

UNITED STATES LUGE ASSOCIATION, INC.

Statements of Functional Expenses - Program

For the Year Ended August 31, 2019

(With Summarized Financial Information for the Year Ended August 31, 2018)

	National Team	Recruitment	Athlete Development	Governance	Technical Committee	Racing Services	Total	2018 Total
Payroll	\$ 315,906	\$ 46,160	\$ 103,120	\$ -	\$ 50,246	\$ 13,590	\$ 529,022	\$ 597,203
Payroll taxes	26,703	4,092	8,504	-	4,243	1,116	44,658	48,508
Retirement plan contributions	21,274	2,124	3,510	-	3,099	979	30,986	31,822
Health and dental insurance	41,635	2,087	4,479	-	1,976	1,215	51,392	47,732
Building operations	8,175	-	-	-	-	-	8,175	11,156
Competitive equipment and apparel	90,279	1,566	6,075	-	45,432	3,499	146,851	134,627
Depreciation	19,641	-	-	-	-	-	19,641	42,506
Foreign coaches and team consultants	128,600	-	-	-	-	-	128,600	68,617
Housing and meals	3,096	-	-	-	2,052	-	5,148	4,467
Independent contractors	-	-	-	-	26,165	-	26,165	25,687
Insurance	1,207	-	-	-	-	-	1,207	180
Miscellaneous	2,209	45	832	-	1,566	-	4,652	5,755
Officials	-	-	-	-	-	27	27	627
Postage	1,835	-	-	-	438	-	2,273	2,324
Team clothing and supplies -VIK	88,550	-	-	-	-	-	88,550	153,555
Team trip - Junior fall	198,245	-	-	-	-	-	198,245	129,049
Team trip - Junior winter	270,993	-	-	-	-	-	270,993	94,626
Team trip - Senior fall	203,480	-	-	-	-	-	203,480	334,500
Team trip - Senior winter	140,310	-	-	-	-	-	140,310	176,907
Technical support	-	-	-	-	240,000	-	240,000	175,000
Training camps	7,099	-	220,674	-	-	-	227,773	188,588
Training fees	-	-	1,163	-	-	-	1,163	-
Travel	8,745	-	-	6,237	2,593	-	17,575	8,340
Vehicle costs	4,798	-	1,575	99	1,733	-	8,205	7,991
Wheel clinics	-	35,303	-	-	-	-	35,303	38,834
Total	\$ 1,582,780	\$ 91,377	\$ 349,932	\$ 6,336	\$ 379,543	\$ 20,426	\$ 2,430,394	\$ 2,328,601

See accompanying notes to the financial statements.

UNITED STATES LUGE ASSOCIATION, INC.
Statements of Functional Expenses - Supporting
For the Year Ended August 31, 2019
(With Summarized Financial Information for the Year Ended August 31, 2018)

	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018 Total</u>
Payroll	\$ 87,845	\$ 174,017	\$ 261,862	\$ 243,126
Payroll taxes	7,108	13,180	20,288	18,844
Retirement plan contributions	5,803	11,717	17,520	14,867
Health and dental insurance	4,529	29,680	34,209	30,949
Building operations	14,454	-	14,454	21,138
Consultants	-	15,900	15,900	15,900
Depreciation	2,755	-	2,755	13,011
Entertainment and gifts	379	71	450	615
Events	-	223,718	223,718	337,197
General marketing needs	-	800	800	892
Housing and meals	4,554	1,050	5,604	6,119
Insurance	59,382	-	59,382	67,919
Interest expense	169	5,524	5,693	5,423
Member services	785	-	785	1,769
Miscellaneous	2,013	3,575	5,588	5,017
Postage	2,038	170	2,208	2,382
Professional fees	9,900	-	9,900	9,600
Public relations	-	3,694	3,694	4,120
Small equipment	4,250	2,714	6,964	5,037
Sponsor store sales program	-	17,017	17,017	17,405
Supplier support	-	15,775	15,775	69,002
Supplies	1,332	-	1,332	3,472
Team clothing	-	9,850	9,850	12,685
Telephone	10,554	-	10,554	11,302
Television support	-	238,925	238,925	203,845
Travel	8,867	331	9,198	11,292
Vehicle costs	1,040	2,202	3,242	5,230
Total	<u>\$ 227,757</u>	<u>\$ 769,910</u>	<u>\$ 997,667</u>	<u>\$1,138,158</u>

See accompanying notes to the financial statements.

UNITED STATES LUGE ASSOCIATION, INC.

Statements of Cash Flows

For the Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows provided by operating activities:		
Change in net assets	\$ (124,583)	\$ (62,243)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	22,396	55,517
Loss on disposal of equipment	253,539	-
Net gain on beneficial interest in assets of U.S. Luge Federation Foundation	(20,778)	(43,637)
Decrease in accounts receivable	1,400	9,719
(Increase) decrease in prepaid expenses	(8,868)	26,937
Increase (decrease) in accounts payable and accrued liabilities	224,733	(206,625)
Increase in due to athletes	3,366	5,013
Net cash provided (used) by operating activities	351,205	(215,319)
Cash flows from investing activities:		
Purchases of property and equipment	(56,883)	(9,300)
Increase in restricted cash	(3,366)	(5,013)
Net cash used in investing activities	(60,249)	(14,313)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(2,469)	(1,626)
Net increase (decrease) in cash and cash equivalents	288,487	(231,258)
Cash and cash equivalents, beginning of year	24,082	255,340
Cash and cash equivalents, end of year	\$ 312,569	\$ 24,082
Supplemental disclosure of cash flow information:		
Cash paid during the years for:		
Interest	\$ 5,693	\$ 5,423

See accompanying notes to the financial statements.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

1. Nature of Activities

United States Luge Association, Inc. (the “Association” or the “Organization”) was incorporated in the State of New York in October 1980 to act as the national governing body for the sport of luge as recognized by the United States Olympic Committee (“USOC”). The Association was established for the development of athletes and the promotion of amateur Luge competition at the national and international levels. The Association is the United States member of the Federation Internationale de Luge de Course, the international governing body for Luge. The Association’s primary sources of revenue are support from the USOC and from corporate sponsorships.

2. Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The accompanying financial statements have been prepared using the accrual basis of accounting.

(b) *Financial Statement Presentation*

The Association reports its financial statements in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry guide Audits of Not-for-Profit Entities and utilizes accounting principles and reporting practices for certain nonprofit organizations.

During 2019, the Association adopted ASU 2016-14, *Not-for-Profit (Topic 958)*, which requires organizations to modify the financial statement presentation of not-for-profit organizations. Some of the key changes in the new standard reduces net asset classifications from three to two, increases disclosures over board-designated net assets, and requires new liquidity and availability disclosures in the notes to the financial statements. The new standard also requires the Association to report a statement of functional expenses.

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended August 31, 2018, from which the summarized information was derived.

(c) *Net Assets*

The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Association is required to present a statement of cash flows.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(d) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Contributions

The Association records contributions received as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the donor stipulations have been met, with donor restricted net assets are reclassified to without donor restriction net assets and released from restrictions in the statements of activities. When a contribution is received and expended within the same year, it is recorded as without donor restriction at year end.

(f) Cash and Cash Equivalents/Credit Risk and Restricted Cash

Cash and all highly liquid investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents. The Association maintains bank account balances, which at times may exceed federally insured limits. Management believes the Association is not exposed to any significant credit risk on cash and cash equivalents.

Restricted cash balances of \$25,710 and \$22,344 at August 31, 2019 and 2018, respectively, are restricted for the use of athletes for training and living expenses. Restricted cash will be included within the statements of cash flows as these funds are not designated for long-term purposes.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

(g) Federal Income Taxes

The Association is exempt from federal and state income taxes on income from activities related to their exempt purposes under IRC Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Internal Revenue Code as organizations described in IRC Section 501(c)(3). The Association does not have unrelated business income for the year ended August 31, 2019.

The Association recognizes the nature of any uncertainty in their tax positions only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax-exempt entities, tax-exempt status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. Management believes the Association has no uncertain tax positions. The Association anticipates that it will not have a change in uncertain tax positions during the next twelve months that would have a material impact on the Association's financial statements. If necessary, the Association would accrue interest and penalties on uncertain tax positions as a component of the provision for income taxes. The Association is no longer subject to federal and state income tax examinations by tax authorities for years before the year ended August 31, 2016.

(h) Beneficial Interest in the Assets of U.S. Luge Federation Foundation and Fair Value of these Financial Instruments

The Association carries its investment in the beneficial interest in the assets of U.S. Luge Federation Foundation ("USLFF") at fair value in the statements of financial position as reported to the Association by the USLFF.

The beneficial interest in the assets of the USLFF are reported at fair value based upon quoted market prices as of the date of the statement of financial position with realized and unrealized gains and losses included in the change in net assets in the accompanying statements of activities. For alternative investments, which include hedge funds, fair values are based on estimates reported by fund managers where quoted market prices do not exist.

(i) Property and Equipment

The Association capitalizes all significant betterments with a cost, or if donated, at estimated fair value of at least \$1,000 and a useful life of at least one year. Depreciation is provided on property and equipment over their estimated useful lives. Estimated useful lives range from three to ten years.

(j) Sponsorships

Sponsorship agreements are exchange transactions and are recognized as revenue when received and not as a promise to give when the agreements are entered into.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

(k) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Payroll and related payroll benefit expenses are common to several functions and are allocated based on estimated hours worked.

(l) Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(m) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities.

The new standard is effective for the Association on July 1, 2021, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for both contributions received and made to assist all entities in evaluating whether a transaction should be accounting for as a contribution or exchange transaction. This standard should be applied on a modified prospective basis. Retrospective application is permitted.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

The new standard is effective for the Association for fiscal years beginning after September 1, 2019, with early adoption permitted.

(n) Subsequent Events

The Association evaluated subsequent events through March 20, 2020, the date the Association's financial statements were available to be used.

3. Property and Equipment

Property and equipment consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Start ramp, national offices and improvements	\$ -	\$ 998,561
Furniture and equipment	243,017	488,477
Vehicles	<u>71,339</u>	<u>29,828</u>
	314,356	1,516,866
Less: accumulated depreciation	<u>254,935</u>	<u>1,238,393</u>
Property and equipment, net	<u>\$ 59,421</u>	<u>\$ 278,473</u>

Total depreciation expense in 2019 and 2018 was \$22,396 and \$55,517, respectively.

In April 2019, the Association disposed of the start ramp with a salvage value of \$251,400 at a loss of \$253,539, which is reported in the statement of activities as of August 31, 2019.

4. Fair Value Measurements – Beneficial Interest in the Assets of USLFF

The Association has a beneficial interest in assets maintained at the USLFF whose objective is to raise and manage those funds for the future benefit of the Association. The total amount of the beneficial interest is presented on the Association's statements of financial position as net assets with donor restrictions.

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value of the beneficial interest. That framework provides a 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).

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Fair Value Measurements – Beneficial Interest in the Assets of USLFF (continued)

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Both observable and unobservable inputs may be used to determine the fair value of positions that the Organization has classified within the NAV category. As a result, the unrealized gains and losses for assets and liabilities within the NAV category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-date volatilities) inputs.

Recurring measurements

The following table presents the fair value measurements of investments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2019 and 2018:

	As of August 31, 2019			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 43,731	\$ 43,731	\$ -	\$ -
Mutual funds	237,963	237,963	-	-
Domestic bonds	37,484	37,484	-	-
International fixed income	74,967	74,967	-	-
Domestic equities	399,826	399,826	-	-
International equities	237,397	237,397	-	-
Non-traditional managers	<u>462,299</u>	<u>(A)</u>	<u>(A)</u>	<u>(A)</u>
Total	<u>\$ 1,493,667</u>	<u>\$ 1,031,368</u>	<u>\$ -</u>	<u>\$ -</u>

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Fair Value Measurements – Beneficial Interest in the Assets of USLFF (continued)

	As of August 31, 2018			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 54,087	\$ 54,087	\$ -	\$ -
Mutual funds	233,191	233,191	-	-
Domestic bonds	36,668	36,668	-	-
International fixed income	73,337	73,337	-	-
Domestic equities	391,129	391,129	-	-
International equities	232,233	232,233	-	-
Non-traditional managers	<u>452,244</u>	<u>(A)</u>	<u>(A)</u>	<u>(A)</u>
Total	<u>\$ 1,472,889</u>	<u>\$ 1,020,645</u>	<u>\$ -</u>	<u>\$ -</u>

(A): In accordance with Accounting Standards Update (ASU) 2015-07, the USLFF does not classify investments held at net asset value per share in the fair value hierarchy as listed above.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2019 and 2018.

Traditional investments

Where quoted market prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, domestic and international equity and bond mutual funds, exchange traded funds and U.S. treasury notes.

Alternative investments

These alternative investments consist of hedge equity funds, limited partnerships, real estate funds, private equity funds, bond fund trusts, and funds of funds. As a group, the alternative investments invest in a variety of securities including, but not limited to, foreign and domestic publicly traded equity and debt securities, foreign and domestic fixed income investments, domestic commercial and residential real estate, options, warrants, derivatives and contracts. To the extent possible, fair value is based on the last sale price for securities listed on national exchanges. For securities not listed on national exchanges, fair value is determined at the last bid or asking price depending on the long or short position of the security. Investments for which quotations are not available are valued at an estimated fair value by the fund managers using various models, comparisons and assumptions.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Fair Value Measurements – Beneficial Interest in the Assets of USLFF (continued)

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.

The Association has adopted Accounting Standards Update (ASU) 2009-12, which provides a practical expedient for certain investments to use net value per share to measure fair value. Accordingly, the Association uses the NAV as a practical expedient for fair value for each of its alternative investments.

Alternative investments held at August 31, 2019 and 2018, respectively, consist of the following:

	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge equity funds (a)	\$ 113,142	Annually	45 - 100 days
Limited partnerships (b)	189,934	Quarterly	10 - 60 days
Real estate fund (c)	28,405	Upon dissolution of fund	N/A
Private equity funds (d)	7,988	Upon dissolution of fund	N/A
Bond fund trust (e)	10,739	Monthly	10 days
Funds of funds (f)	111,897	Upon dissolution of fund	N/A
Other (g)	<u>194</u>	Upon dissolution of fund	N/A
Total	\$ <u>462,299</u>		

	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge equity funds (a)	\$ 126,840	Annually	45 - 100 days
Limited partnerships (b)	201,980	Quarterly	10 - 60 days
Real estate fund (c)	22,874	Upon dissolution of fund	N/A
Private equity funds (d)	6,280	Upon dissolution of fund	N/A
Bond fund trust (e)	10,681	Monthly	10 days
Funds of funds (f)	83,113	Upon dissolution of fund	N/A
Other (g)	<u>476</u>	Upon dissolution of fund	N/A
Total	\$ <u>452,244</u>		

(a) This class includes investments in four hedge funds that take both long and short positions. All investments in this class can be redeemed in the next year.

(b) This class includes four limited partnerships that invest primarily in foreign and domestic common stocks and commodities.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

Fair Value Measurements – Beneficial Interest in the Assets of USLFF (continued)

- (c) This class includes three real estate funds that invest primarily in U.S. commercial and residential real estate. These investments can never be redeemed with the funds. Distributions from the funds will be made upon dissolution of the funds. It is estimated the underlying assets of the fund will be liquidated in 2021.
- (d) This class includes two private equity funds that invest primarily in domestic and foreign limited partnerships. These investments can never be redeemed with the funds. Distributions from each fund will be made upon dissolution of the fund by 2023.
- (e) This class includes one bond fund trust that invests primarily in foreign government obligations. These investments can be redeemed monthly from the Trustee.
- (f) This class includes one fund of funds that invests in foreign and domestic venture capital limited partnerships. These investments can never be redeemed with the fund. Distributions from the fund will be made upon dissolution of the fund. It is estimated that a portion of the fund will be liquidated in 2020 and the remainder will be liquidated in 2024.
- (g) This class includes one fund primarily invested in illiquid side-pocket arrangements. These investments are in a lock-up period as the funds wind down and are expected to be liquidated and paid out over the next three to five years.

5. Retirement Plan

The Association has a defined contribution employee benefit plan that covers substantially all employees. Contributions to the plan are equal to 6.05% of eligible salaries. The Association's contributions to the plan for the years ended August 31, 2019 and 2018 were \$48,506 and \$46,689, respectively.

6. Donated Services and Equipment

No amounts have been reflected in the financial statements for donated services. The Association generally pays for services requiring specific expertise. However, a number of individuals donate their time and perform a variety of tasks that assist the Association with its program, administrative and fundraising activities.

7. Lease Commitment

In August 1991, the Association signed an agreement with New York State Olympic Regional Development Authority (ORDA), which provides for the lease of land from ORDA for a 50-year term for an annual rental of \$1. Management has determined the fair value of this contribution of use of property and considers it immaterial to the financial statements to record a contribution and related expense in the statements of activities.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

8. Capital Lease

The Organization is obligated under a capital lease for office equipment that expires in 2020. Total accumulated depreciation is \$2,527 at August 31, 2019.

Minimum future capital lease payments as of August 31, 2019 are:

2020	<u>\$ 2,618</u>
Total minimum lease payments	2,618
Less: amount representing interest	<u>396</u>
Capital lease obligation	<u>\$ 2,222</u>

9. Related Party

The Association receives a substantial portion of its operating revenues from the USOC. Any change with the USOC could have a significant impact on the Association. Revenue for the years ended August 31, 2019 and 2018 from the USOC amounted to \$1,379,156 and \$939,976, respectively. These amounts represent 39% and 28% of total revenues, gains and other support for the years ended August 31, 2019 and 2018, respectively.

United States Luge Federation Foundation, Inc. ("USLFF") was established by the Association in 1985 for the benefit and support of the Association. The Foundation provided \$0 and \$75,000 of operating funds to the Association during the years ended August 31, 2019 and 2018, respectively.

10. Sponsorship Agreements

The Association has entered into several sponsorship agreements that will provide the Association with financial and equipment support. The future amounts of the sponsorships have been treated as exchange transactions and have not been reflected in the accompanying financial statements. Total approximate amount to be received under these agreements in 2020 as of August 31, 2019 is \$695,000. Not included in this amount are various products and services that management currently does not have a value for.

11. Line of Credit

The Association has a revolving line of credit with a commercial bank that renews annually and permits the Association to borrow up to \$350,000. The loan is secured by substantially all assets of the Association with interest at 6.25% and 5.25% at August 31, 2019 and 2018, respectively. The outstanding borrowings on the revolving line of credit at August 31, 2019 and 2018 was \$85,354.

UNITED STATES LUGE ASSOCIATION, INC.

Notes to Financial Statements

For the Years Ended August 31, 2019 and 2018

12. Net Assets

Net assets with donor restrictions as of August 31, 2019 and 2018 total \$1,493,667 and \$1,472,889, respectively, and related to the U.S. Luge Federation Foundation investment fund, of which, the Association has a beneficial interest.

13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 312,569	\$ 24,082
Accounts receivable	<u>8,451</u>	<u>9,851</u>
	<u>\$ 321,020</u>	<u>\$ 33,933</u>

The Association closely monitors liquidity required to meet its operating needs and other contractual commitments. The Association has multiple sources of liquidity at its disposal, including cash and receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Association strives to maintain liquid cash reserves sufficient to cover 45 days of general expenditures. General expenditures include administrative, fundraising, and operating expenses.

14. Subsequent Event

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. The ultimate impact of this event on the Association's operations and financial statements is unknown as of the date of the auditor's report.