

UNITED STATES SKATEBOARDING FEDERATION, INC.
d/b/a USA SKATEBOARDING
(a Non-profit Organization)

FINANCIAL STATEMENTS

December 31, 2018

UNITED STATES SKATEBOARDING FEDERATION, INC.
d/b/a USA SKATEBOARDING
(a Non-profit Organization)

December 31, 2018

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Independent Auditors' Report

To the Board of Directors,
United States Skateboarding Federation, Inc.
d/b/a USA Skateboarding (a non-profit organization)

Report on the Financial Statements

We have audited the accompanying financial statements of United States Skateboarding Federation, Inc. d/b/a USA Skateboarding (the "Organization", a non-profit organization), which comprise the statement of financial position as of December 31, 2018, 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 auditor's 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 entity'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 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 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 December 31, 2018, 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.

Hall & Company

Irvine, California
May 1, 2020

UNITED STATES SKATEBOARDING FEDERATION, INC.
d/b/a USA SKATEBOARDING
(a Non-profit Organization)

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

CURRENT ASSETS

Cash \$ 256,078

TOTAL CURRENT ASSETS \$ 256,078

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued liabilities \$ 8,117

Deferred revenue 120,000

TOTAL CURRENT LIABILITIES 128,117

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions 127,961

With donor restrictions -

TOTAL NET ASSETS 127,961

TOTAL LIABILITIES AND NET ASSETS \$ 256,078

The accompanying notes are an integral part of these financial statements.

UNITED STATES SKATEBOARDING FEDERATION, INC.
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STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|-------------------|
| REVENUE AND SUPPORT | | | |
| Sponsorship revenue | \$ 180,000 | - | \$ 180,000 |
| TOTAL REVENUE AND SUPPORT | <u>180,000</u> | <u>-</u> | <u>180,000</u> |
| FUNCTIONAL EXPENSES | | | |
| Program services | 38,461 | - | 38,461 |
| Support services: | | | |
| Management, general and administrative | 13,578 | - | 13,578 |
| Event fundraising | - | - | - |
| TOTAL FUNCTIONAL EXPENSES | <u>52,039</u> | <u>-</u> | <u>52,039</u> |
| CHANGE IN NET ASSETS | <u>127,961</u> | <u>-</u> | <u>127,961</u> |
| NET ASSETS, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| NET ASSETS, end of year | <u>\$ 127,961</u> | <u>\$ -</u> | <u>\$ 127,961</u> |

The accompanying notes are an integral part of these financial statements.

UNITED STATES SKATEBOARDING FEDERATION, INC.
d/b/a USA SKATEBOARDING
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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

| | <u>Program Services</u> | <u>Management, General and Administrative</u> | <u>Event Fundraising</u> | <u>Total</u> |
|-------------------------------|-----------------------------|---|------------------------------|------------------|
| Advertising and Marketing | \$ - | \$ 1,170 | \$ - | \$ 1,170 |
| Bank Fees | - | 63 | - | 63 |
| Contractors | 6,000 | - | - | 6,000 |
| Dues and Subscriptions | 1,950 | - | - | 1,950 |
| General and Administrative | - | 988 | - | 988 |
| Professional Services | 6,462 | - | - | 6,462 |
| Salaries, Wages, and Benefits | 6,250 | 6,250 | - | 12,500 |
| Travel and athlete support | 17,799 | 5,107 | - | 22,906 |
| | <u>\$ 38,461</u> | <u>\$ 13,578</u> | <u>\$ -</u> | <u>\$ 52,039</u> |

The accompanying notes are an integral part of these financial statements.

UNITED STATES SKATEBOARDING FEDERATION, INC.
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STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------------|
| Change in net assets | \$ 127,961 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Changes in operating assets and liabilities: | |
| Accrued liabilities | 8,117 |
| Deferred revenue | <u>120,000</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>256,078</u> |
| NET CHANGE IN CASH | 256,078 |
| CASH, beginning of year | <u>-</u> |
| CASH, end of year | <u><u>\$ 256,078</u></u> |

The accompanying notes are an integral part of these financial statements.

UNITED STATES SKATEBOARDING FEDERATION, INC.
d/b/a USA SKATEBOARDING
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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - ORGANIZATION

USA Skateboarding (“USAS” or the “Organization”), a non-profit corporation, is formally organized and incorporated as skateboarding's national governing body (“NGB”). USAS has been established to provide direction and governance for the sport of skateboarding, including, but not limited to, enabling United States athletes to achieve sustained competitive excellence in Olympic, Paralympic, Pan American and Parapan American competition and sanctioning competitions resulting in United States National Champions at both the amateur and professional level. USAS is dedicated to promoting and supporting the sport of skateboarding, while striving to guarantee that skateboarding continues to provide the unique characteristics important to the sport's participants, and maintaining the integrity and authenticity of skateboarding as a sport, a passion and a lifestyle. The Organization was incorporated on May 16, 2005, in the state of Pennsylvania.

The Organization had very limited operating activity for several years prior to 2018, and its assets and liabilities as of January 1, 2018, were nominal.

During 2018, the Organization’s funding was primarily from a sponsorship with an apparel company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP, and references to “ASU” refer to Accounting Standards Update issued by the FASB.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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 with donor restrictions are assets subject to donor or grantor-imposed restrictions, some of which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, while others are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

UNITED STATES SKATEBOARDING FEDERATION, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

During 2018, the Organization did not have any contributions with or without restrictions as the Organization's revenues solely consisted of sponsorship revenues.

Revenue Recognition

Effective January 1, 2018, the Organization elected to early adopt ASC 606, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). ASC 606 establishes new revenue recognition guidance and replaces the previous guidance under ASC 605. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under ASC 606, revenue is recognized based upon a five-step model that includes the following steps: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue, at either a point time or overtime. Although ASC 606 does not apply to nonprofit entities as it relates to contributions, it does apply to nonprofit entities as it relates to revenues from transactions that are considered exchange transactions.

During 2018, the Organization's revenue consisted solely of sponsorship revenue. Performance obligations of sponsorship contracts include: 1) the granting of certain promotional benefits and 2) licensing rights. The fair value of the consideration allocated to the performance obligations of promotional benefits is recognized ratably over the term of the sponsorship agreement. The consideration allocated to the performance obligations of licensing rights will be recognized as revenue as the retail sales are recognized by the sponsor.

During 2018, all of the Organization's revenues, totaling \$180,000, related to performance obligations related to promotional benefits, and at December 31, 2018, the Organization had deferred revenue (a contract liability) from performance obligations related to the Promotional Benefits of \$120,000.

UNITED STATES SKATEBOARDING FEDERATION, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. During the year, costs are categorized into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support activities by the method that best measures the relative degree of benefit.

- *Program services* - Expenses include costs that primarily relate to providing direction and governance for the sport of skateboarding, and enabling athletes to achieve sustained competitive excellence.
- *Supporting services* - Expenses include costs that primarily relate to management and general administration
- *Fundraising* - Expenses include costs that primarily relate to fundraising activities to obtain grants and generate revenue through contributions.

Income taxes

The Organization is a qualified non-profit organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is not classified as a private Organization. Non-profit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes for the Organization in the consolidated financial statements. The Organization had no unrelated business income during the year ended December 31, 2018.

US GAAP provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained in an audit, based on the technical merits of the position. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. Accordingly, the Organization has not recognized any liability for uncertain tax positions. During the year ended December 31, 2018, the Organization did not recognize in the financial statements any tax related interest and penalties.

The Organization’s tax returns are subject to examination by federal and state taxing authorities, generally for three year and four years, respectively, after they are filed. No tax returns are currently being examined by taxing authorities.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

As discussed above under “Revenue Recognition,” the Organization elected to early adopt ASC 606, effective January 1, 2018. The adoption did not have any effect on the beginning balance of equity.

In June 2018, The FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Made* (“ASU 2018-08”), which provides guidance on whether a grant (or similar transaction) should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 clarifies how an entity determines whether a resource provider is receiving commensurate value and expands the criteria for determining whether a contribution is conditional. The Organization elected to early adopt the new standard for the year ended December 31, 2018. The adoption of ASU 2018-08 did not have a significant impact on the Organization’s results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“ASC 842”), with improvements and corrections issued in various other subsequent ASUs. ASC 842 changes a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASC 842 is effective for the Organization for its 2022 fiscal year. The Organization is currently evaluating the impact of the provisions of ASC 842 on the presentation of its financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Cash and Cash equivalents

The Organization maintains cash in an account with a creditworthy financial institution. At times, the cash balance may exceed the insurance limit of the Federal Deposit Insurance Corporation of \$250,000. The Organization periodically assesses the financial condition of the financial institution and believes the risk of any loss is minimal. To date, the Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk in this area.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Organization has approximately \$256,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, which consists entirely of cash. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 5 - SUBSEQUENT EVENTS

Events occurring after December 31, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of May 1, 2020, which is the date the financial statements were available to be issued.

Effective January 1, 2019, the Organization entered into a two-year sponsorship agreement with an auto company.

Subsequent to December 31, 2018, the Organization entered into a Performance Support Agreements with the United States Olympic and Paralympic Committee (“USOPC”) for 2019 and 2020. The agreement provides for support of \$154,000 and \$162,400, respectively.

Subsequent to December 31, 2018, the Organization received grants from the United States Olympic Committee for 2019 and 2020 of \$50,000 and \$95,000, respectively, to cover expenses associated with office management and operational expenses.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency in response to a new strain of a coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its effects on the Organization’s industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. However, if the pandemic continues, it will have a material adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2020.