

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

**Financial Statements**

**For the Year Ended June 30, 2006**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of United States Bobsled and Skeleton Federation, Inc. as of June 30, 2006 and the related statements of activities and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Bobsled and Skeleton Federation, Inc. as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of program services and of supporting services for the year ended June 30, 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Waugh & Goodwin, LLP*  
October 25, 2006

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Statement of Financial Position

June 30, 2006

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 197,337
Accounts receivable	106,462
Inventory	6,221
Prepaid expenses	<u>21,414</u>

Total current assets 331,434

PROPERTY AND EQUIPMENT (Note C):

Property and equipment	1,804,285
Less accumulated depreciation	<u>(1,497,630)</u>

Property and equipment - net 306,655

OTHER ASSETS:

Beneficial interest in Trust (Note B)	<u>1,434,251</u>
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TOTAL ASSETS \$ 2,072,340

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 109,833
Accrued athlete incentives	157,460
Current portion line of credit (Note D)	<u>18,750</u>

Total current liabilities 286,043

LONG-TERM LIABILITIES:

Line of credit payable (Note D)	<u>56,250</u>
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Total liabilities 342,293

NET ASSETS:

Unrestricted	295,796
Permanently restricted	<u>1,434,251</u>

Total net assets 1,730,047

TOTAL LIABILITIES AND NET ASSETS \$ 2,072,340

See Notes to Financial Statements

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>REVENUE:</b>				
Corporate sponsorship	\$ 1,263,180	\$	\$	\$ 1,263,180
USOC grants (Note E)	1,068,137			1,068,137
Contributions - VIK	442,707			442,707
Contributions	291,822			291,822
Driving school	84,280			84,280
Raffle proceeds	40,648			40,648
FIBT Income	39,531			39,531
Change in beneficial interest			35,061	35,061
Member dues	16,770			16,770
Miscellaneous income	6,965			6,965
Interest income	3,675			3,675
Royalty revenue	1,256			1,256
Loss on disposal of equipment	(7,346)			(7,346)
<b>Total revenue</b>	<b>3,251,625</b>		<b>35,061</b>	<b>3,286,686</b>
<b>EXPENSES:</b>				
<b>Program services:</b>				
Athlete expense	569,469			569,469
Men's bobsled	527,075			527,075
Women's bobsled	312,105			312,105
Skeleton	253,481			253,481
Torino	165,322			165,322
Lake Placid	72,243			72,243
Membership expense	53,035			53,035
Park City	31,355			31,355
Recruitment	16,469			16,469
<b>Total program services</b>	<b>2,000,554</b>			<b>2,000,554</b>
<b>Supporting services:</b>				
Marketing and public relations	656,229			656,229
General and administrative	540,710			540,710
<b>Total supporting services</b>	<b>1,196,939</b>			<b>1,196,939</b>
<b>Total expenses</b>	<b>3,197,493</b>			<b>3,197,493</b>
<b>CHANGE IN NET ASSETS</b>	<b>54,132</b>		<b>35,061</b>	<b>89,193</b>
<b>PRIOR PERIOD ADJUSTMENT (Note G)</b>		<b>(1,249,122)</b>		<b>(1,249,122)</b>
<b>NET ASSETS,</b> beginning of year	<b>241,664</b>	<b>1,249,122</b>	<b>1,399,190</b>	<b>2,889,976</b>
<b>NET ASSETS,</b> end of year	<b>\$ 295,796</b>	<b>\$</b>	<b>\$ 1,434,251</b>	<b>\$ 1,730,047</b>

See Notes to Financial Statements

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 89,193
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	82,996
Loss on disposal of assets	7,346
Changes in assets and liabilities:	
Increase in accounts receivable	(74,274)
Increase in inventory	(3,236)
Decrease in prepaid expenses	3,275
Increase in beneficial interest in trust	(29,017)
Increase in accrued athlete incentives	157,460
Decrease in accounts payable	(96,778)
Decrease in accrued liabilities	<u>(8,342)</u>
Total adjustments	<u>39,430</u>
Net cash provided by operating activities	128,623
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	<u>(161,878)</u>
Net cash used by investing activities	(161,878)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Increase in line of credit	<u>75,000</u>
Net cash provided by financing activities	<u>75,000</u>
NET INCREASE IN CASH	41,745
CASH AND CASH EQUIVALENTS, beginning of year	<u>155,592</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 197,337</u>

See Notes to Financial Statements

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Notes to Financial Statements

For the Year Ended June 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Cash and Cash Equivalents

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

Accounts Receivable

The Federation's accounts receivable are recorded net of an allowance for doubtful accounts of \$6,625 at June 30, 2006.

Inventory

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

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of donations. Depreciation is recorded using the straight-line method over estimated useful lives of three to ten years. Depreciation expense amounted to \$82,996 for the year ended June 30, 2006.

Tax Exempt Status

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

## Notes to Financial Statements

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

#### Membership Dues

Membership dues are recognized as revenue upon receipt.

#### Contributions

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

#### Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117-*Financial Statements of Not-for-Profit Organizations*, the Federation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2006 the Federation did not have any temporarily restricted net assets.

#### Use of Estimates in Preparation of Financial Statement

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

#### Supplemental Cash Flow Disclosures

During the year ended June 30, 2006, the Federation paid interest costs of \$6,271.

Notes to Financial Statements

B. BENEFICIAL INTEREST IN TRUST

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

In accordance with Statement of Financial Accounting Standards No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others, the Federation has recorded a beneficial interest in the net assets of the Trust. Changes in the net assets of the Trust are recorded in the accompanying statement of activities. As of June 30, 2006, the Trust had total assets of \$1,434,251. This amount is included in permanently restricted net assets.

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

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

At June 30, 2006, the Trust's net assets consisted of the following:

Cash and cash equivalents	\$	170
Money Market Funds		30,064
Accrued interest		6,021
Corporate bonds		175,127
Government bonds		206,181
Unsettled purchases/sales		2,716
Common stocks and options		<u>1,013,972</u>
Total	\$	<u>1,434,251</u>

Notes to Financial Statements

C. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or at market value at the date received as a gift. Property and equipment consists of the following at June 30, 2006:

Leasehold improvements	\$ 30,984
Furniture and equipment	242,534
Vehicles	25,046
Runners	193,071
Sleds	1,205,067
Restricted assets	<u>107,583</u>
	1,804,285
Less accumulated depreciation	<u>(1,497,630)</u>
Property and equipment - net	<u>\$ 306,655</u>

D. LINE OF CREDIT

At June 30, 2006, the Federation had a revolving line of credit with a commercial bank in the amount of \$200,000 secured by the general assets of the Federation. Interest on outstanding borrowings is charged at the Wall Street Journal prime rate plus .90%, which amounted to 8.9% at June 30, 2006. The balance outstanding at June 30, 2006 was \$75,000.

Subsequent to year end, the Federation was notified by the commercial bank that the revolving line of credit was cancelled and the outstanding balance was converted to a term note, due in monthly installments of \$1,563 plus interest over a four-year term.

Minimum future payments for the years ended June 30 are as follows:

2007	\$ 18,750
2008	18,750
2009	18,750
2010	<u>18,750</u>
	<u>\$ 75,000</u>

Notes to Financial Statements

E. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Federation for sports development, international competition, and team preparation. Grants provided during the year ended June 30, 2006 consisted of the following project categories:

Base funding	\$	250,000
Performance funding		639,660
Torino		177,037
Miscellaneous grant		<u>1,440</u>
	\$	<u>1,068,137</u>

The USOC provides the Corporation with office facilities for \$400 a month. Rental expense for the year ended June 30, 2006 amounted to \$4,800.

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

F. RETIREMENT PLAN

The Federation has established a SIMPLE IRA retirement program. Employees are eligible to participate after working two years. During the year ended June 30, 2006, the Federation made matching contributions for eligible employees of \$2,666.

G. PRIOR PERIOD ADJUSTMENT

During the year June 30, 2006, the Federation changed its method of accounting for corporate sponsorship agreements. Previously unconditional promises to give were recorded in the year a contract was signed and, in the case of multi-year contracts, the portion beyond one year was recognized in temporarily restricted net assets due to a time restriction.

The Federation is currently recognizing corporate sponsorship contracts as unrestricted revenue in accordance with the payment schedule. This accounting method is in accordance with industry practice and therefore is a preferable method.

The effect of this change in accounting method amounted to \$1,249,122 at July 1, 2005, which was recorded as a reduction in unconditional promises to give and a reduction in temporarily restricted net assets.

## Notes to Financial Statements

### H. LOSS OF MAJOR SPONSOR

During the year ended June 30, 2006, a major sponsor elected not to renew their sponsorship contract for the following year. The total income received from the sponsor for the year ended June 30, 2006 was \$1,033,180 which is recorded as Corporate Sponsorship revenue in the accompanying Statement of Activities and Changes in Net Assets.

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.  
Schedule of Program Services  
For the Year Ended June 30, 2006

	Athlete Expense		Men's Bobsled		Women's Bobsled		Skeleton	Torino	Lake Placid	Membership Expense		Recruitment	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Air travel									307			421	102,603
Athlete appearance	173,060											2,050	2,050
Athlete incentives	69,178												173,060
Athlete support													69,178
Calgary ice							10,542						10,542
Clothing	146,256												146,256
Contract labor		62,400		53,067		2,350		4,550		9,800			132,167
Depreciation	4,173	54,232		15,183		3,108				100			76,796
Donated services		30,000		30,000									60,000
Employee benefits		16,079		3,963		19,355		3,940					43,337
Entry fees		17,155		10,546		9,675		2,955		100		1,109	43,303
Equipment	35,141	6,375		5,007		1,092		6,754		4,001		540	60,993
FICA		5,999		4,355		5,969		1,670		1,224		639	21,883
Ground travel		61,530		27,045		26,052		1,262				1,504	123,151
Insurance											52,350		52,350
IRA		521		23		1,307		315					2,166
Legal and accounting	141,661												141,661
Meals/lodging		127,656		71,297		73,649		28,660		130		1,854	348,239
Membership expense											685		685
Other		(460)		873		16							58,535
Salaries		78,417		47,000		78,025		21,830		16,000		8,352	281,124
School						1,440							1,440
Sled shipping		32,102		16,051		882							49,035
	<u>\$ 569,469</u>	<u>\$ 527,075</u>		<u>\$ 312,105</u>		<u>\$ 253,481</u>		<u>\$ 165,322</u>		<u>\$ 72,243</u>		<u>\$ 16,469</u>	<u>\$ 2,000,554</u>

UNITED STATES BOBSLED AND SKELETON FEDERATION, INC.

Schedule of Supporting Services

For the Year Ended June 30, 2006

	<u>Marketing &amp; Public Relations</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Advances	\$	\$ (250)	\$ (250)
Air travel	6,055	12,195	18,250
Athlete appearance	31,320		31,320
Awards	1,340		1,340
Bad debt expense		44,993	44,993
Bank charges		1,205	1,205
Clothing	13,549	1,611	15,160
Contract fees	379,784		379,784
Contract labor	13,094	91,794	104,888
Depreciation		6,201	6,201
Dues & subscriptions		5,623	5,623
Employee benefits	12,502	11,360	23,862
Equipment	4,500	1,654	6,154
Event rights	8,109		8,109
FICA	4,790	13,582	18,372
Gifts	639		639
Good will gest.		1,358	1,358
Ground travel	5,968	8,395	14,363
Hospitality	20,767	30	20,797
Ice productions	33,333		33,333
Insurance		15,000	15,000
Interest expense		6,271	6,271
IRA	50	451	501
Legal and accounting		30,833	30,833
Loss on currency exchange		102	102
Meals/lodging	15,241	11,775	27,016
Media guide	6,823		6,823
Media training	973		973
Meetings		311	311
Merchant fees		1,848	1,848
Office supplies		10,067	10,067
Other	265	4,343	4,608
Passenger rides/ice fees	540		540
Photography	369		369
Postage		4,918	4,918
Promotional items	25,366		25,366
Publicity		4,168	4,168
Rent - building		7,160	7,160
Rent - postage machine		560	560
Rent - self storage		11,800	11,800
Salaries	62,609	181,289	243,898
SUTA		10,346	10,346
Telephone		39,717	39,717
Torino games	8,243		8,243
	<u>\$ 656,229</u>	<u>\$ 540,710</u>	<u>\$ 1,196,939</u>