

VELODROME FUND, INC.

FINANCIAL STATEMENTS AND
AUDITORS' REPORTS
Year Ended December 31, 2017

VELODROME FUND, INC.

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INDEPENDENT AUDITORS' REPORT

Frank M. Brown, CPA
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To the Board of Directors
Velodrome Fund, Inc.

We have audited the accompanying financial statements of Velodrome Fund, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, 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 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.

Basis for Qualified Opinion

As explained in Note 3 to the financial statements, Velodrome Fund, Inc. leases the Velodrome facility at a notional sum, the contributed value of which is not determinable due to the uniqueness of the venue.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Velodrome Fund, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Velodrome Fund, Inc.'s 2016 financial statements, and our report dated April 25, 2017, except for the effects of the Corporation's lease of the Velodrome facility at a notional sum, the contributed value of which is not determinable due to the uniqueness of the venue, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regan, Levin, Bloss, Brown & Savchak, P.C.

October 15, 2018

VELODROME FUND, INC.**Statement of Financial Position****December 31, 2017, with Comparative Totals at December 31, 2016**

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
Cash and cash equivalents	\$ 131,761	\$ 322,078	\$ —	\$ 453,839	\$ 424,579
Accounts receivable, net of allowance	10,407	—	—	10,407	26,911
Retail inventory	13,336	—	—	13,336	6,441
Investments	512,276	1,264,012	6,000	1,782,288	1,598,232
Property and equipment, net of accumulated depreciation	262,070	—	—	262,070	138,407
Total assets	\$ 929,850	\$ 1,586,090	\$ 6,000	\$ 2,521,940	\$ 2,194,570
Liabilities					
Accounts payable	\$ 42,753	\$ —	\$ —	\$ 42,753	\$ 20,236
Line of credit	96,796	—	—	96,796	—
Deferred revenue	4,945	—	—	4,945	2,960
Total liabilities	144,494	—	—	144,494	23,196
Net Assets					
Unrestricted	785,356	—	—	785,356	762,093
Temporarily restricted	—	1,586,090	—	1,586,090	1,403,281
Permanently restricted	—	—	6,000	6,000	6,000
Total net assets	785,356	1,586,090	6,000	2,377,446	2,171,374
Total liabilities and net assets	\$ 929,850	\$ 1,586,090	\$ 6,000	\$ 2,521,940	\$ 2,194,570

See accompanying notes to financial statements.

VELODROME FUND, INC.**Statement of Activities**

Year Ended December 31, 2017, with Comparative Totals for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
Support and revenues:					
Contributions	\$ 69,401	\$ —	\$ —	\$ 69,401	\$ 73,445
Sponsorships	396,671	24,000	—	420,671	457,102
Interest and dividends, net of fees	(5,625)	27,982	—	22,357	33,077
Net appreciation of investments	36,705	130,827	—	167,532	46,019
Racing:					
Ticket sales	45,646	—	—	45,646	48,564
Rider fees	49,862	—	—	49,862	43,046
Concessions	39,436	—	—	39,436	25,455
Retail sales	9,662	—	—	9,662	11,881
Special events:					
Ticket sales	15,559	—	—	15,559	18,999
Vendor fees	50,826	—	—	50,826	48,676
Facility rentals	17,649	—	—	17,649	22,680
Miscellaneous	63,695	—	—	63,695	50,681
	<u>789,487</u>	<u>182,809</u>	<u>—</u>	<u>972,296</u>	<u>879,625</u>
Expenses:					
Racing	533,471	—	—	533,471	533,750
Development	107,042	—	—	107,042	115,372
Non-cycling	4,256	—	—	4,256	22,876
General and administrative	113,004	—	—	113,004	92,892
Fund-raising	8,451	—	—	8,451	10,170
	<u>766,224</u>	<u>—</u>	<u>—</u>	<u>766,224</u>	<u>775,060</u>
Change in net assets	23,263	182,809	—	206,072	104,565
Beginning net assets	762,093	1,403,281	6,000	2,171,374	2,066,809
Ending net assets	<u>\$ 785,356</u>	<u>\$ 1,586,090</u>	<u>\$ 6,000</u>	<u>\$ 2,377,446</u>	<u>\$ 2,171,374</u>

See accompanying notes to financial statements.

VELODROME FUND, INC.

**Statement of Functional Expenses
Year Ended December 31, 2017, with Comparative Totals for the Year Ended December 31, 2016**

	Program Services				Fund- Raising	Totals
	Racing	Development	Non-Cycling	General and Administrative		
Personnel	\$ 176,683	\$ 68,228	\$ 1,000	\$ 3,000	\$ 7,581	\$ 256,492
Payroll taxes	14,355	5,544	81	244	616	20,840
Employee benefits	24,980	—	—	—	—	24,980
Supplies	4,474	—	425	1,862	—	6,761
Facilities supplies	5,682	—	—	3,059	—	8,741
Bad debts	—	—	—	—	—	—
Concessions	34,465	—	—	—	—	34,465
Merchandise	9,995	—	—	—	—	9,995
Equipment	8,162	—	—	3,711	—	11,873
Awards and rider expense	65,330	—	—	—	—	65,330
Advertising and promotion	72,518	—	—	3,817	—	76,335
Signage	540	—	—	—	—	540
Insurance	8,061	2,257	806	4,837	161	16,122
Communications	4,661	1,305	466	2,797	93	9,322
Occupancy and utilities	25,275	25,275	—	14,258	—	64,808
Program expenses	30,509	—	—	—	—	30,509
Purchased services	24,562	—	—	39,328	—	63,890
Travel and lodging	—	—	—	5,850	—	5,850
Meals and entertainment	—	—	—	5,535	—	5,535
Other	8,444	—	—	8,725	—	17,169
Interest and bank fees	—	—	—	7,116	—	7,116
Depreciation	14,775	4,433	1,478	8,865	—	29,551
	<u>\$ 533,471</u>	<u>\$ 107,042</u>	<u>\$ 4,256</u>	<u>\$ 113,004</u>	<u>\$ 8,451</u>	<u>\$ 766,224</u>
						<u>\$ 775,060</u>

See accompanying notes to financial statements.

VELODROME FUND, INC.

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 206,072	\$ 104,565
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,551	25,334
Bad debts	—	10,000
Net appreciation of investments	(167,532)	(46,019)
Decrease in accounts receivable	16,504	34,883
Increase in retail inventory	(6,895)	(3,300)
Increase in accounts payable	22,517	15,903
Increase (decrease) in deferred revenue	1,985	(790)
Net cash provided by operating activities	<u>102,202</u>	<u>140,576</u>
Cash flows from investing activities:		
Proceeds from sales of investments	439,675	467,065
Purchases of investments	(456,199)	(534,807)
Purchases of fixed assets	<u>(153,214)</u>	<u>(88,827)</u>
Net cash used in investing activities	<u>(169,738)</u>	<u>(156,569)</u>
Cash flows from financing activities:		
Increase in line of credit	<u>96,796</u>	<u>—</u>
Net cash provided by financing activities	<u>96,796</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	29,260	(15,993)
Cash and cash equivalents, beginning	<u>424,579</u>	<u>440,572</u>
Cash and cash equivalents, ending	<u>\$ 453,839</u>	<u>\$ 424,579</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 1,377</u>	<u>\$ —</u>

See accompanying notes to financial statements.

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2017 and 2016

1. Nature of Activities:

Velodrome Fund, Inc. is a nonprofit organization which operates, supports, and maintains the Velodrome facility and venue (a Lehigh County-owned facility) located in Trexlertown, Pennsylvania.

2. Summary of Significant Accounting Policies:

Basis of Presentation

The Organization 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect from outstanding balances. Differences between the amount due and the amount the Organization expects to collect are reported in the results of operations of the year in which those differences are determined, with an

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued:

Accounts Receivable, Continued

offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was \$10,000 and \$10,000 at December 31, 2017 and 2016, respectively.

Retail Inventory Valuation

Retail inventory is valued at the lower of cost (first-in, first-out) or market.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$76,335 and \$96,818 for the years ended December 31, 2017 and 2016, respectively.

Accounting for Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. The Organization believes that there has been no impairment of its long-lived assets.

Contributed Services

Velodrome Fund, Inc. receives services donated by its sponsors. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition under Financial Accounting Standards Board's Accounting Standard Codification (FASB ASC) 958, Not-for-Profit Entities.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Taxes

Velodrome Fund, Inc. is a not-for-profit corporation that is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Organization has adopted the provisions of FASB Interpretation No. 48, Accounting for

**Notes to Financial Statements
December 31, 2017 and 2016**

2. Summary of Significant Accounting Policies, Continued:

Taxes, Continued

Uncertainty in Income Taxes (FASB ASC) 740-10. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions. The Organization files its Form 990 with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania. The Organization is no longer subject to examination by the Internal Revenue Service for years prior to 2014.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in bank accounts and highly-liquid investments with an initial maturity of three months or less.

Credit Risks

The Organization maintains its cash accounts in several depository accounts which, at times, may exceed federally-insured limits. The Organization has not experienced losses in such accounts. The Organization believes it is not exposed to significant credit risk.

The Organization maintains a significant portion of its assets in investments, which are subject to fluctuations in value. Further, the Organization is subject to risks associated with each investment, such as compliance of the issuer with certain contractual obligations.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Subsequent Events

Management of the Organization has evaluated events and transactions subsequent to December 31, 2017, for items that could potentially be recognized or disclosed in these financial statements. The evaluation was

**Notes to Financial Statements
December 31, 2017 and 2016**

2. Summary of Significant Accounting Policies, Continued:

Subsequent Events, Continued

conducted through October 15, 2018, the date these financial statements were available to be issued.

3. Facilities Agreement:

The County of Lehigh has leased a portion of the Bob Rodale Cycling and Fitness Park to Velodrome Fund, Inc. The Park is used for staging of cycling races and conducting training and cycling related events in accordance with the terms and restrictions of the lease agreement. The lease originally had a term of 20 years commencing on January 2, 1998 and terminating on January 1, 2018. It has subsequently been extended for an additional 20-year term through January 1, 2038. Rent is due annually in the notional sum of \$1. Due to the uniqueness of the venue, valuation of this contribution is not determinable; no provision for fair rental value of the facility has been made in the financial statements reflective of the annual contributed value. See note 4 for discussion of an amendment to the lease.

4. Temporarily Restricted Net Assets:

Expendable Trust – Velodrome Operations Trust Fund

During 1998, the Rodale Press, Inc. established and contributed to the Organization an expendable trust fund in the amount of \$1,500,000. Such funds are temporarily restricted in accordance with the directives of the Trust. The purpose of the Fund is to provide a source of continuing funds to pay salaries and benefits for key Velodrome Fund, Inc. employees. The Trust Fund is authorized to distribute up to a maximum of \$150,000 annually, to be used for its prescribed purpose. The Trust Fund is maintained in a separate account under the management of a fund custodian. The fair values of the Fund were \$1,346,090 and \$1,187,281 at December 31, 2017 and 2016, respectively. No withdrawals from the Fund were authorized in 2017 and 2016. Investment earnings are recorded as additions to temporarily restricted net assets.

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2017 and 2016

4. Temporarily Restricted Net Assets, Continued:

Capital Improvements Fund

Effective July 11, 2007, the County of Lehigh, lessor of the Organization's facilities (see note 3), amended the lease to require that twenty percent of monies received by the Organization from the sponsor of the naming rights be set aside to be used for capital improvements to the facilities. By common consent of the parties, the annual amount due to the lessor for the stated purpose was limited to \$24,000. In 2007, the Organization paid \$24,000 to the lessor to fund its capital improvements.

No payments have been made subsequently, and \$240,000 remained unpaid at December 31, 2017. In lieu of payment of the amount otherwise due, the lessor and lessee have agreed to allow the lessee to retain the funds with a restricted designation. Expenditure of the restricted funds will occur as needed by the lessor to fund capital improvements to the facilities.

Temporarily restricted net assets consisted of the following funds at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Velodrome Operations Trust Fund	\$ 1,346,090	\$ 1,187,281
Capital Improvements Fund	<u>240,000</u>	<u>216,000</u>
	<u>\$ 1,586,090</u>	<u>\$ 1,403,281</u>

5. Permanently Restricted Net Assets:

Endowment Account

Certain permanently restricted contributions to the Organization totaling \$6,000 are held in an endowment account. Only earnings derived from such funds may be released from restriction. Earnings are recorded as temporarily restricted income.

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2017 and 2016

6. Investments:

Investments as of December 31, 2017 and 2016, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
December 31, 2017:			
Unrestricted:			
Equity mutual funds	\$ 219,574	\$ 248,182	\$ 248,182
Fixed income mutual funds	<u>265,317</u>	<u>264,094</u>	<u>264,094</u>
	<u>484,891</u>	<u>512,276</u>	<u>512,276</u>
Temporarily restricted:			
Equity mutual funds	533,485	790,727	790,727
Fixed income mutual funds	<u>471,291</u>	<u>473,285</u>	<u>473,285</u>
	<u>1,004,776</u>	<u>1,264,012</u>	<u>1,264,012</u>
Permanently restricted:			
Fixed income mutual funds	<u>5,974</u>	<u>6,000</u>	<u>6,000</u>
	<u>\$ 1,495,641</u>	<u>\$ 1,782,288</u>	<u>\$ 1,782,288</u>
December 31, 2016:			
Unrestricted:			
Equity mutual funds	\$ 221,248	\$ 222,787	\$ 222,787
Fixed income mutual funds	<u>258,239</u>	<u>255,737</u>	<u>255,737</u>
	<u>479,487</u>	<u>478,524</u>	<u>478,524</u>
Temporarily restricted:			
Equity mutual funds	505,708	659,476	659,476
Fixed income mutual funds	<u>457,138</u>	<u>454,232</u>	<u>454,232</u>
	<u>962,846</u>	<u>1,113,708</u>	<u>1,113,708</u>
Permanently restricted:			
Fixed income mutual funds	<u>6,038</u>	<u>6,000</u>	<u>6,000</u>
	<u>\$ 1,448,371</u>	<u>\$ 1,598,232</u>	<u>\$ 1,598,232</u>

Investment revenues are reported net of brokers' fees amounting to \$24,987 in 2017 and \$5,035 in 2016.

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2017 and 2016

7. Fair Value Measurements:

FASB ASC 820-10, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Fair values of assets measured on a recurring basis at December 31, 2017 and 2016, are as follows:

	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)
December 31, 2017:		
Equity mutual funds	\$ 1,038,909	\$ 1,038,909
Fixed income mutual funds	<u>743,379</u>	<u>743,379</u>
	\$ <u>1,782,288</u>	\$ <u>1,782,288</u>
December 31, 2016:		
Equity mutual funds	\$ 882,263	\$ 882,263
Fixed income mutual funds	<u>715,969</u>	<u>715,969</u>
	\$ <u>1,598,232</u>	\$ <u>1,598,232</u>

Following is a description of the valuation methodology used for mutual funds measured at fair value. The same methodology was used at December 31, 2017 and 2016.

Level 1 mutual funds are valued at the daily closing price as reported by the fund. Such mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The level 1 mutual funds held by the Organization are deemed to be actively traded.

**Notes to Financial Statements
December 31, 2017 and 2016**

8. Property and Equipment:

Property and equipment consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building	\$ 290,157	\$ 290,157
Construction in process	153,214	—
Equipment and furniture	<u>144,547</u>	<u>144,547</u>
	587,918	434,704
Less accumulated depreciation	<u>325,848</u>	<u>296,297</u>
Property and equipment, net	\$ <u>262,070</u>	\$ <u>138,407</u>

9. Line of Credit:

The Organization has a \$150,000 line of credit with a bank. Interest is due monthly on the unpaid principal balance through June 2018 at a variable rate equal to the lending bank's prime rate (4.5% at December 31, 2017). Beginning in July 2018, the Organization is required to make monthly principal and interest payments of \$3,412, which includes interest at a fixed rate of 4.3%. The loan is to be repaid in full no later than June 2022. The loan is collateralized by a brokerage account containing at least \$215,000 in cash and marketable securities. The loan was fully repaid in May 2018.

10. Commitments and Contingencies:

The Organization's ongoing success is dependent upon its functions at the County-owned facility and the availability of funding through the expendable trust. A significant reduction in the authorized use of the County-owned facility or availability of funding through the expendable trust may have an adverse effect on the scope and nature of the Organization's activities.

In May 2018, a former employee filed claims against the Organization alleging acts of employment discrimination. In June 2018, the Organization settled these claims with the former employee for an amount not material to the Organization's financial statements.

**Notes to Financial Statements
December 31, 2017 and 2016**

10. Commitments and Contingencies, continued:

In October 2018, the former executive director filed an employment related claim against the Velodrome Fund, Inc. and a member of its Board of Directors with a court. Due to the preliminary nature of this claim, no assessment of the probability of an unfavorable outcome or estimate of the range of potential damages can presently be made.

11. Related Party Transactions:

The Organization received sponsorships and regularly purchased products and services from companies affiliated with various board members. Sponsorships, dues and other support received from related parties during the years ended December 31, 2017 and 2016, totaled \$317,334 and \$337,770, respectively. The total cost of products and services purchased from related parties amounted to \$19,862 and \$9,133 for the years ended December 31, 2017 and 2016, respectively. The Organization had no balances due to or due from related parties at December 31, 2017 and 2016.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH CERTAIN
VELODROME OPERATIONS TRUST FUND PROVISIONS**

Frank M. Brown, CPA
Emeritus
John A. Savchak, CPA, CVA
Emeritus

Board of Directors
Velodrome Fund, Inc.

We have examined management of Velodrome Fund Inc.'s assertion that Velodrome Fund, Inc. complied with certain provisions of the Velodrome Operations Trust Fund for the year ended December 31, 2017. Velodrome Fund, Inc.'s management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about Velodrome Fund, Inc.'s compliance based on our examination.

Our examination was made in accordance with attestation standards established by the *American Institute of Certified Public Accountants*. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Velodrome Fund, Inc.'s compliance with the specified provisions.

In our opinion, management's assertion that Velodrome Fund, Inc. complied with the aforementioned provisions for the year ended December 31, 2017, is fairly stated in all material respects.

Regan, Levin, Bloss, Brown & Savchak, P.C.

October 15, 2018

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Strength in Numbers