

VELODROME FUND, INC.

FINANCIAL STATEMENTS
Year Ended December 31, 2020

VELODROME FUND, INC.

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT..... 1 - 2

FINANCIAL STATEMENTS

 Statement of Financial Position 3

 Statement of Activities 4

 Statement of Functional Expenses 5

 Statement of Cash Flows..... 6

 Notes to Financial Statements 7 - 15



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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Emeritus
John A. Savchak, CPA, CVA
Emeritus
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1935-2018

To the Board of Directors
Velodrome Fund, Inc.
Trexlerstown, PA

We have reviewed the accompanying financial statements of Velodrome Fund, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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Strength in Numbers

Accountants' Conclusion

Based on our review, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure From Accounting Principles Generally Accepted in the United States of America

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.

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

Allentown, Pennsylvania
September 1, 2021

VELODROME FUND, INC.**Statement of Financial Position
December 31, 2020**

	Assets	<u>2020</u>
Cash and cash equivalents	\$	60,149
Accounts receivable, net of allowance		153,170
Retail inventory		11,046
Investments		1,455,893
Property and equipment, net of accumulated depreciation		<u>60,135</u>
Total assets	\$	<u><u>1,740,393</u></u>
	Liabilities	
Accounts payable	\$	14,211
Credit cards		1,024
Deferred revenue		<u>22,631</u>
Total liabilities		<u>37,866</u>
	Net Assets	
Without donor restrictions		(100,678)
With donor restrictions		<u>1,803,205</u>
Total net assets		<u>1,702,527</u>
Total liabilities and net assets	\$	<u><u>1,740,393</u></u>

See accompanying notes to financial statements.

VELODROME FUND, INC.**Statement of Activities
Year Ended December 31, 2020**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 3,463	\$ —	\$ 3,463
Sponsorships	329,250	24,000	353,250
Interest and dividends, net of fees	63	26,770	26,833
Net appreciation (depreciation) of investments	—	129,073	129,073
Racing:			
Ticket sales	12,075	—	12,075
Rider fees	27,216	—	27,216
Concessions	24	—	24
Retail sales	5,972	—	5,972
Special events:			
Ticket sales	8,360	—	8,360
Facility rentals	11,165	—	11,165
	<u>397,588</u>	<u>179,843</u>	<u>577,431</u>
Other revenue:			
Paycheck protection program (PPP) loan forgiveness	53,100	—	53,100
Grant income	262,958	—	262,958
	<u>316,058</u>	<u>—</u>	<u>316,058</u>
Expenses:			
Racing	384,422	—	384,422
Development	131,135	—	131,135
Non-cycling	1,907	—	1,907
General and administrative	462,301	—	462,301
Fund-raising	13,675	—	13,675
	<u>993,440</u>	<u>—</u>	<u>993,440</u>
Transfer of donor restricted net assets	182,037	(182,037)	—
Change in net assets	(97,757)	(2,194)	(99,951)
Beginning net assets	(2,921)	1,805,399	1,802,478
Ending net assets	<u>\$ (100,678)</u>	<u>\$ 1,803,205</u>	<u>\$ 1,702,527</u>

See accompanying notes to financial statements.

VELODROME FUND, INC.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services				Fund- Raising	Total
	Racing	Development	Non-Cycling	General and Administrative		
Personnel	\$ 127,600	\$ 111,340	\$ —	\$ 25,850	\$ 12,371	\$ 277,161
Payroll taxes	10,927	9,535	—	2,214	1,059	23,735
Employee benefits	25,461	—	—	—	—	25,461
Supplies	1,446	—	—	10	—	1,456
Facilities supplies	38,032	—	—	20,479	—	58,511
Concessions	1,629	—	—	—	—	1,629
Merchandise	2,531	—	—	—	—	2,531
Equipment	1,800	—	—	—	—	1,800
Awards and rider expense	20,751	—	—	—	—	20,751
Advertising and promotion	95,012	—	—	5,001	—	100,013
Insurance	12,259	3,858	1,226	7,355	245	24,943
Occupancy and utilities	4,360	4,360	—	2,460	—	11,180
Program expenses	25,077	—	—	—	—	25,077
Purchased services	6,600	—	—	103,366	—	109,966
Travel and lodging	—	—	—	116	—	116
Other expenses	4,131	—	—	—	—	4,131
Interest and bank fees	—	—	—	1,629	—	1,629
Grant expense	—	—	—	117,973	—	117,973
Depreciation	6,806	2,042	681	4,084	—	13,613
Loss on equipment write-off	—	—	—	171,764	—	171,764
	<u>\$ 384,422</u>	<u>\$ 131,135</u>	<u>\$ 1,907</u>	<u>\$ 462,301</u>	<u>\$ 13,675</u>	<u>\$ 993,440</u>

See accompanying notes to financial statements.

VELODROME FUND, INC.

Statement of Cash Flows
Year Ended December 31, 2020

	<u>2020</u>
Cash flows from operating activities:	
Change in net assets	\$ (99,951)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	13,613
Loss on equipment write-off	171,764
PPP loan forgiveness	(53,100)
Net appreciation of investments	(129,075)
Increase in accounts receivable	(150,825)
Increase in retail inventory	(6,824)
Increase in accounts payable	1,517
Decrease in credit cards	(1,866)
Increase in deferred revenue	20,571
	<u>20,571</u>
Net cash used in operating activities	<u>(234,176)</u>
Cash flows from investing activities:	
Proceeds from sales of investments	782,336
Purchases of investments	(622,873)
	<u>159,463</u>
Net cash provided by investing activities	<u>159,463</u>
Cash flows from financing activities:	
PPP loan proceeds	53,100
	<u>53,100</u>
Net cash provided by financing activities	<u>53,100</u>
Net decrease in cash and cash equivalents	(21,613)
Cash and cash equivalents, beginning	<u>81,762</u>
Cash and cash equivalents, ending	<u>\$ 60,149</u>
Supplemental disclosure of non-cash financing activities:	
PPP loan forgiveness	<u>\$ 53,100</u>

See accompanying notes to financial statements

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

1. Nature of Activities:

Velodrome Fund, Inc. (the Organization) 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 two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or law.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Donor-imposed restrictions may be 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 permanent, where the donor stipulates that resources be maintained in perpetuity.

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 with restrictions or without restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified

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VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

to net assets without restrictions 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 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. As of December 31, 2020, no amounts were deemed uncollectible.

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 \$100,013 for the year ended December 31, 2020.

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 determined that there was an impairment of its long-lived assets during 2020, and accordingly recorded a loss of \$171,764 on the write-off of construction in process.

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. Expenses that can be identified with a specific program or supporting service are allocated

(Continued)

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

directly according to their natural expenditure classification. Certain other costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include payroll taxes (based on wages incurred), facilities supplies, advertising, insurance, occupancy and utilities, and depreciation (allocated based on historical estimates of usage between program and support functions).

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 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 2017.

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 net assets without

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VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

restrictions 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, 2020, for items that could potentially be recognized or disclosed in these financial statements. The evaluation was conducted through September 1, 2021, the date these financial statements were available to be issued.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach. There was not a significant impact as a result of adoption of the ASU.

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. Net Assets With Donor Restrictions:

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 restricted in accordance with the directives of the Trust. The purpose of the

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VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

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, adjusted for inflation since 2000, 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 value of the Fund, excluding restricted cash, was \$1,455,893 at December 31, 2020. \$182,037 of withdrawals from the Fund were transferred in 2020, pursuant to Board resolution. Investment earnings are recorded as additions to net assets with donor restrictions.

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 \$312,000 remained unpaid at December 31, 2020. 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.

Endowment Account

Certain 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 income with donor restrictions.

Net assets with donor restrictions consisted of the following funds at December 31, 2020:

	<u>2020</u>
Velodrome Operations Trust Fund	\$ 1,485,205
Capital Improvements Fund	312,000
Endowment Account	<u>6,000</u>
	<u>\$ 1,803,205</u>

(Continued)

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

5. Investments:

Investments as of December 31, 2020, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Without restrictions:			
Equity mutual funds	\$ —	—	—
Fixed income mutual fund	—	—	—
With restrictions:			
Equity mutual funds	536,403	830,931	830,931
Fixed income mutual funds	<u>593,972</u>	<u>624,962</u>	<u>624,962</u>
	<u>\$ 1,130,375</u>	<u>\$ 1,455,893</u>	<u>\$ 1,455,893</u>

Investment revenues are reported net of brokers' fees, and amounted to \$26,833 in 2020.

6. 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, 2020 are as follows:

(Continued)

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)
Equity mutual funds	\$ 830,931	\$ 830,931
Fixed income mutual funds	<u>624,962</u>	<u>624,962</u>
	\$ <u>1,455,893</u>	\$ <u>1,455,893</u>

Following is a description of the valuation methodology used for mutual funds measured at fair value.

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.

7. Property and Equipment:

Property and equipment consisted of the following at December 31, 2020:

	<u>2020</u>
Building	\$ 290,155
Equipment and furniture	<u>152,467</u>
	442,622
Less accumulated depreciation	<u>382,487</u>
Property and equipment, net	\$ <u>60,135</u>

(Continued)

VELODROME FUND, INC.

Notes to Financial Statements December 31, 2020

8. Liquidity:

The following reflects the Organization's financial assets, consisting of cash, accounts receivable, inventory and investments as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end	\$1,680,258
Less funds unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	<u>1,803,205</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>(122,947)</u>

As discussed in Note 4, the Organization also has access to a maximum of \$150,000 annually in its Expendable Trust, which can be used to fund certain operating expenses with proper approval.

9. Commitments and Contingencies:

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. No assessment of the probability of an unfavorable outcome or estimate of the range of potential damages can presently be made; accordingly, in accordance with FASB Accounting Standards Codification subtopic 450-20, *Contingencies: Loss Contingencies*, no accrual has been included in the financial statements.

10. 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, 2020 totaled \$68,500. The total cost of products and services purchased from related parties amounted to \$0 for the year ended December 31, 2020. The Organization had no balances due to or due from related parties at December 31, 2020.

(Continued)

**Notes to Financial Statements
December 31, 2020**

11. Other Income

During 2020, the Organization received grants in the amount of \$262,958 from the County of Lehigh for COVID-19 related expenses or lost revenue.

During 2020, the Organization also received the proceeds of a Paycheck Protection Program (PPP) loan in the amount of \$53,100. Subsequent to the end of the year, but before the date of issuance of the financial statements, the Organization applied to the Small Business Administration (SBA) for forgiveness of the PPP loan, and was granted forgiveness in the amount of \$53,100. Accordingly, as the SBA has repaid the lender, the Organization recognized a gain on PPP loan forgiveness which is reflected in other revenue in the statement of activities for the year ended December 31, 2020.

12. Uncertainties:

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which might negatively impact the Organization. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its impact on the Organization's customers, donors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.