

Davis Phinney Foundation

(a nonprofit Ohio corporation)

Boulder, Colorado

Financial Statements

December 31, 2015

Davis Phinney Foundation

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Independent Auditor's Report

To the Board of Directors
Davis Phinney Foundation
Boulder, Colorado

We have audited the accompanying financial statements of Davis Phinney Foundation (a nonprofit Ohio corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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.

Auditor's 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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Davis Phinney Foundation as of December 31, 2015, 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.

Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado
April 19, 2016

Davis Phinney Foundation

Statement of Financial Position

December 31, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	852,016
Investments, at fair value		300,089
Accounts receivable		37,172
Pledge receivable, current portion		7,000
Inventory		527
Prepaid expenses and other current assets		25,172
Total current assets		<u>1,221,976</u>

Equipment

Furniture, fixtures, and equipment		54,277
Less accumulated depreciation		(52,065)
Net equipment		<u>2,212</u>

Other Assets

Pledge receivable, net of current portion		24,664
Deposits and other assets		4,698
Total other assets		<u>29,362</u>

Total assets \$ 1,253,550

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	19,653
Grants payable		108,276
Accrued compensation and benefits		23,487
Deferred revenue		174,896
Total current liabilities		<u>326,312</u>

Net Assets

Unrestricted net assets		822,592
Temporarily restricted net assets		104,646
Total net assets		<u>927,238</u>

Total liabilities and net assets \$ 1,253,550

The accompanying Notes are an integral
part of these financial statements

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Davis Phinney Foundation

Statement of Activities

Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Special events income	\$ 624,786	\$ 96,592	\$ 721,378
Special events expense	(116,283)	-	(116,283)
Contributions	431,770	-	431,770
Sponsorships	414,496	-	414,496
Grants	109,240	-	109,240
Other income	22,622	-	22,622
Merchandise sales, net	531	-	531
Interest income	328	-	328
Net assets released from restrictions	97,933	(97,933)	-
Total support and revenue	<u>1,585,423</u>	<u>(1,341)</u>	<u>1,584,082</u>
Functional Expenses			
Program Services	1,068,551	-	1,068,551
Supporting Services			
General and administrative	72,775	-	72,775
Fundraising	263,754	-	263,754
Total functional expenses	<u>1,405,080</u>	<u>-</u>	<u>1,405,080</u>
Change in Net Assets	180,343	(1,341)	179,002
Net Assets, Beginning of Year	<u>642,249</u>	<u>105,987</u>	<u>748,236</u>
Net Assets, End of Year	<u>\$ 822,592</u>	<u>\$ 104,646</u>	<u>\$ 927,238</u>

The accompanying Notes are an integral
part of these financial statements

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Davis Phinney Foundation

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended December 31, 2015

Cash Flows From Operating Activities

Change in net assets	\$	179,002
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		309
Provision for receivable discounting		(1,120)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable		(33,702)
Pledges receivable		7,000
Inventory		38,258
Prepaid expenses and other current assets		(9,582)
Deposits and other assets		(395)
Accounts payable		(2,043)
Grants payable		5,276
Accrued compensation and benefits		17,363
Other accrued liabilities		(600)
Deferred revenue		(21,864)
Net cash provided by operating activities		<u>177,902</u>

Cash Flows From Investing Activities

Purchases of investments		(300,089)
Purchases of equipment		(2,227)
Net cash used by investing activities		<u>(302,316)</u>

Net Decrease in Cash and Cash Equivalents (124,414)

Cash and Cash Equivalents, Beginning of Year 976,430

Cash and Cash Equivalents, End of Year \$ 852,016

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. Davis Phinney Foundation ("the Organization") is an Ohio non-profit corporation that was incorporated in 2004 to help people living with Parkinson's disease to live well today. The Organization was founded by Olympic medal-winner, Davis Phinney, who was diagnosed with Parkinson's disease in 2000 at the age of 40. Today, Davis is both a role model in the cycling community and an inspiration to the people living with the chronic disease. Funding for the Organization is obtained through event sponsorship and charitable contributions from interested parties.

Use of Estimates. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Classification. The Organization has adopted accounting standards which require that the organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. These standards require that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted Net Assets. Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets. Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently Restricted Net Assets. Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained in perpetuity. The Organization does not currently have any permanently restricted net assets.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment custodian.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued). The framework provides a fair value 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). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date. There have been no changes in the methodologies used at December 31, 2015.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the sponsor. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all accounts receivable are fully collectible at December 31, 2015.

Promises to Give. Unconditional promises to give (pledges) are recognized as revenues in the period received. Pledges receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible pledges. The allowance for uncollectible pledges is estimated based on management's review of specific pledges outstanding. There was no allowance for doubtful accounts for the year ended December 31, 2015 as management believes that all of the pledges receivable are collectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventory. Inventory consists of program manuals held for distribution to clients at no cost. Inventory is stated at the lower of cost or market using the first-in, first-out method.

Equipment. It is the Organization's policy to capitalize equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally two to seven years. Depreciation expense totaled \$309 for the year ended December 31, 2015.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the year ended December 31, 2015.

Revenue Recognition. Payments received for sponsorships that are reciprocal in nature are deferred and recognized as the events occur and services are rendered.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. Contributed services are recognized if the services received satisfy the criteria for recognition.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Contributed Services (continued). The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Total donated services recognized for the year ended December 31, 2015 was \$37,800.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Total advertising expense for the year ended December 31, 2015 was \$30,849.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expense was incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

The Organization utilizes the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the organization, this would primarily relate to the determination of unrelated business taxable income and to the maintenance of its tax exempt status.

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Organization for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

Income tax years ending December 31, 2012 through the current year are open for examination. Penalties and interest may be assessed on income taxes that are delinquent.

Concentrations. Cash is routinely maintained in excess of federally insured limits.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 19, 2016, the date at which the financial statements were available for release.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 2 - Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments, at fair value, as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 300,089</u>	<u>\$ -</u>	<u>\$ 300,089</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2015, there were no significant transfers in or out of fair value levels.

Investment income, consisting of interest, totaled \$328 for the year ended December 31, 2015.

Note 3 - Pledge Receivable

The Organization has a pledge receivable related to a donor bequest. A schedule of expected collections is as follows as of December 31, 2015:

<u>Year</u>	<u>Amount</u>
2016	\$ 7,000
2017	7,000
2018	7,000
2019	12,893
	<u>33,893</u>
Less valuation allowances	<u>(2,229)</u>
	<u>\$ 31,664</u>

Unconditional promises to give are measured in the aggregate using present value techniques that consider historical trends of collection similar to these fund raising activities, the type of donor, general economic conditions, and market interest rate assumptions. The interest element resulting from amortization of the discount for the time value of money is reported as contribution revenue.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 4 - Temporarily Restricted Net Assets

The following summarizes the changes in net assets temporarily restricted for the year ended December 31, 2015 :

	<u>Community Support</u>	<u>Program Manuals</u>	<u>Research</u>	<u>Total</u>
Balance, January 1, 2015	\$ 10,644	\$ 32,792	\$ 62,551	\$ 105,987
Receipts	28,371	67,108	1,113	96,592
Disbursements	-	(97,933)	-	(97,933)
Balance, December 31, 2015	<u>\$ 39,015</u>	<u>\$ 1,967</u>	<u>\$ 63,664</u>	<u>\$ 104,646</u>

Note 5 - Operating Lease

The Organization leases a building in Boulder, Colorado under a noncancelable operating lease. The lease requires monthly payments of \$1,602, and expires in September 2018. Rent expense under the lease totaled \$8,469 for the year ended December 31, 2015. Under a prior lease agreement, rent expense totaled \$23,820 for the year ended December 31, 2015.

The Organization leases storage facilities under a short-term agreement. Rent expense from the agreement totaled \$430 for the year ended December 31, 2015.

Future annual minimum lease payments required under the noncancelable operating lease are as follows at December 31, 2015:

<u>Year</u>	<u>Amount</u>
2016	\$ 19,401
2017	20,112
2018	15,489
	<u>\$ 55,002</u>

Note 6 - Special Events

The Organization derived net revenue from the following special fundraising events for the year ended December 31, 2015:

Copper Triangle

Gross proceeds	\$ 141,065
Direct costs	(13,514)
Net revenue	<u>\$ 127,551</u>

Ride the Rockies

Gross proceeds	\$ 133,462
Direct costs	(11,107)
Net revenue	<u>\$ 122,355</u>

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2015

Note 6 - Special Events (continued)

Winter Fete	
Gross proceeds	\$ 171,100
Direct costs	(53,818)
Net revenue	<u>\$ 117,282</u>
Sufferlandria	
Gross proceeds	\$ 102,146
Direct costs	(5,811)
Net revenue	<u>\$ 96,335</u>
Sub-5	
Gross proceeds	\$ 93,475
Direct costs	(17,280)
Net revenue	<u>\$ 76,195</u>
Other events	
Gross proceeds	\$ 80,130
Direct costs	(14,753)
Net revenue	<u>\$ 65,377</u>
Total	
Gross proceeds	\$ 721,378
Direct costs	(116,283)
Net revenue	<u>\$ 605,095</u>

Davis Phinney Foundation

Schedule of Functional Expenses

Year ended December 31, 2015

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries	\$ 350,582	\$ 41,510	\$ 192,130	\$ 584,222
Payroll taxes and benefits	38,066	5,382	17,308	60,756
Total personnel	388,648	46,892	209,438	644,978
Program events	113,195	-	-	113,195
Research awards and grants	109,035	-	-	109,035
Travel and meals	83,436	428	5,123	88,987
Contract labor	68,849	-	10,716	79,565
Multimedia expense	74,278	-	1,190	75,468
Computer and information technology	50,775	681	5,021	56,477
Program manuals	38,259	-	-	38,259
Rent	24,483	3,279	4,957	32,719
Printing	21,260	14	10,204	31,478
Advertising	29,664	14	1,171	30,849
Postage and shipping	23,701	91	6,781	30,573
Telephone and internet	13,663	406	2,279	16,348
Legal and professional fees	2,113	9,366	440	11,919
Office expenses	6,696	624	2,058	9,378
Consulting	6,495	434	1,756	8,685
Bank fees	67	8,503	24	8,594
Dues and subscriptions	5,137	-	-	5,137
Taxes and licenses	3,389	331	1,076	4,796
Miscellaneous	2,610	-	813	3,423
Insurance	1,423	1,284	385	3,092
Repairs and maintenance	1,338	193	285	1,816
Total expenses before depreciation	1,068,514	72,540	263,717	1,404,771
Depreciation	37	235	37	309
Total expenses	\$ 1,068,551	\$ 72,775	\$ 263,754	\$ 1,405,080