AMERICAN SNOWSPORTS EDUCATION ASSOCIATION AND AMERICAN SNOWSPORTS EDUCATION ASSOCIATION-EDUCATION FOUNDATION

Combined Financial Statements
and
Independent Auditors' Report
June 30, 2016 and 2015

AMERICAN SNOWSPORTS EDUCATION ASSOCIATION AND AMERICAN SNOWSPORTS EDUCATION ASSOCIATION-EDUCATION FOUNDATION

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7979 E. Tufts Avenue, Suite 400
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Snowsports Education Association and American Snowsports
Education Association-Education Foundation
Lakewood, Colorado

We have audited the accompanying combined financial statements of American Snowsports Education Association and American Snowsports Education Association-Education Foundation (non-profit corporations), which are comprised of the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of American Snowsports Education Association and American Snowsports Education Association-Education Foundation as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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October 21, 2016
Denver, Colorado

AMERICAN SNOWSPORTS EDUCATION ASSOCIATION AND AMERICAN SNOWSPORTS EDUCATION ASSOCIATION-EDUCATION FOUNDATION

Combined Statements of Financial Position

	June 30, 2016	June 30, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 1,361,730	$ 1,436,736
Investments	250,788	-
Accounts receivable	56,470	34,774
Due from related parties	525,412	552,326
Inventory	418,749	333,103
Prepaid expenses	43,580	81,389
Total current assets	2,656,729	2,438,328
Non-current assets		
Property and equipment, net	759,313	885,617
Total assets	$ 3,416,042	$ 3,323,945
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 116,671	$ 93,264
Accrued liabilities	64,463	104,875
Due to related parties	519,632	439,488
Deferred revenue	1,543,918	1,576,541
Current portion of capital lease obligations	2,261	3,297
Total current liabilities	2,246,945	2,217,465
Non-current liabilities		
Capital lease obligations, net of current portion	2,580	4,841
Total liabilities	2,249,525	2,222,306
Commitments		
Net assets		
Unrestricted	1,165,270	1,045,181
Temporarily restricted	1,247	56,458
Total net assets	1,166,517	1,101,639
Total liabilities and net assets	$ 3,416,042	$ 3,323,945

See notes to combined financial statements.

AMERICAN SNOWSPORTS EDUCATION ASSOCIATION AND AMERICAN SNOWSPORTS EDUCATION ASSOCIATION-EDUCATION FOUNDATION

Combined Statements of Activities

	For the Years Ended June 30, 2016	2015
Changes in unrestricted net assets		
Support and revenue		
Membership dues	$ 2,121,297	$ 1,901,719
Merchandise sales	708,027	810,283
Sponsorships	682,968	627,039
Publications	26,210	26,375
Courses and seminars	385,130	321,400
Miscellaneous	144,789	134,206
Investment income	1,175	755
Net assets released from restrictions	73,584	-
Total unrestricted support and revenue	4,143,180	3,821,777
Expenses		
Salaries and related benefits	1,254,279	1,358,997
Merchandise	540,359	610,688
Education seminars and projects	697,771	480,080
General and administrative	862,062	985,946
Marketing and meetings	183,249	165,260
Membership publications	236,607	199,921
Depreciation	197,431	197,709
Miscellaneous	51,333	45,287
Total expenses	4,023,091	4,043,888
Total changes in unrestricted net assets	120,089	(222,111)
Changes in temporarily restricted net assets		
Contributions	18,373	55,211
Net assets released from restriction	(73,584)	-
Total changes in temporarily restricted net assets	(55,211)	55,211
Change in net assets	64,878	(166,900)
Net assets, beginning of year	1,101,639	1,268,539
Net assets, end of year	$ 1,166,517	$ 1,101,639

See notes to combined financial statements.

AMERICAN SNOWSPORTS EDUCATION ASSOCIATION AND AMERICAN SNOWSPORTS EDUCATION ASSOCIATION-EDUCATION FOUNDATION

Combined Statements of Cash Flows

	For the Years Ended June 30, 2016	For the Years Ended June 30, 2015
Cash flows from operating activities		
Change in net assets	$ 64,878	$ (166,900)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	197,431	197,709
Realized and unrealized loss on investments	5,056	-
Changes in assets and liabilities		
Accounts receivable	(21,696)	14,007
Due from related parties	26,914	(126,679)
Inventory	(85,646)	(23,762)
Prepaid expenses	37,809	(5,583)
Accounts payable	23,407	(53,449)
Accrued liabilities	(40,412)	12,070
Due to related parties	80,144	39,293
Deferred revenue	(32,623)	303,925
	190,384	357,531
Net cash provided by operating activities	255,262	190,631
Cash flows from investing activities		
Purchases of property and equipment	(71,127)	(104,597)
Purchases of investments	(255,844)	-
Net cash used in investing activities	(326,971)	(104,597)
Cash flows from financing activities		
Repayments of principal on capital lease agreements	(3,297)	(3,695)
Net cash used in financing activities	(3,297)	(3,695)
Net (decrease) increase in cash and cash equivalents	(75,006)	82,339
Cash and cash equivalents, beginning of year	1,436,736	1,354,397
Cash and cash equivalents, end of year	$ 1,361,730	$ 1,436,736

Supplemental disclosure of cash flow information:

Cash paid for interest for the years ended June 30, 2016 and 2015 was $322 and $508, respectively.

See notes to combined financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

American Snowsports Education Association ("ASEA"), a non-profit corporation, was incorporated in 1961 for the purposes of promotion, education, and setting of standards for ski instruction by professional ski instructors. ASEA is a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code ("IRC"). ASEA sells supplies, equipment, and manuals to its members throughout the United States and in foreign countries.

American Snowsports Education Association-Education Foundation (the "Foundation") was incorporated in 1972 for the purposes of cooperating with ASEA in educating its members and potential members in all aspects of ski instruction and coaching, to carry on research, and to produce publications regarding skiing and ski instruction. The Foundation is a tax-exempt organization under Section 501(c)(3) of the IRC.

Principles of Combination

ASEA and the Foundation are governed by a common Board of Directors. Therefore, the accompanying combined financial statements include the accounts of ASEA and the Foundation (collectively, the "Organization"). All intercompany accounts and transactions have been eliminated in combination.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

> Unrestricted amounts are currently available at the discretion of the Board of Directors for use in the Organization's operations and other sources invested in property and equipment.
>
> Temporarily restricted amounts are restricted by donors specifically for certain time periods, purposes, or programs.
>
> Permanently restricted amounts must be maintained by the Organization as required by the donor, but the Organization is permitted to use or expend the income derived from those assets. At June 30, 2016 and 2015, the Organization had no permanently restricted assets.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents, unless held as part of the investment portfolio. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value using quoted market prices where available. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is recorded in the accompanying statements of activities as unrestricted investment income unless restricted by donor or law.

Accounts Receivable

Accounts receivable relate to amounts due from members for sales of products and services. At the time the accounts receivable are originated, the Organization considers a reserve for doubtful accounts based on the creditworthiness of the customers. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. 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. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of June 30, 2016 and 2015, no allowance for uncollectible amounts was deemed necessary.

Inventory

Inventory consists of education materials, clothing, general snowsport merchandise, and closeout items and is stated at the lower of cost or net realizable value, determined on a weighted average.

Property and Equipment

Property and equipment are stated at cost. The Organization capitalizes purchases of $1,000 or more. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from 3 to 39 years.

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. As of June 30, 2016 and 2015, no impairment was deemed necessary.

Deferred Revenue

Deferred revenue consists of annual membership dues collected that relate to the following fiscal year.

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

Revenue Recognition

The Organization recognizes revenue as services are provided and goods are shipped.

Use of Estimates

The preparation of combined 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 and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2016 and 2015 was $149,701 and $111,489, respectively.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(6) (ASEA) and 501(c)(3) (the Foundation) of the IRC and qualifies for the charitable contribution deduction. Income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2016 and 2015, the Organization did not incur taxes for unrelated trade or business income.

The Organization applies a more-likely-than-not measurement methodology to reflect the combined financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken by the Organization, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2016 or 2015.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of June 30, 2016 or 2015.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the combined financial statements were available for issuance, noting none requiring disclosure.

Note 2 - Balance Sheet Disclosures

Inventory is summarized as follows:

	June 30, 2016	June 30, 2015
Educational materials	$ 205,146	$ 186,887
Garments	169,093	116,115
General snowsport merchandise	115,982	101,573
Other	528	528
Less reserve for obsolete inventory	(72,000)	(72,000)
	$ 418,749	$ 333,103

Property and equipment consist of the following:

	June 30, 2016	June 30, 2015
Building and improvements	$ 897,713	$ 897,713
Software and website development costs	1,027,814	967,256
Furniture, fixtures, and equipment	210,843	200,274
Land	199,840	199,840
	2,336,210	2,265,083
Less accumulated depreciation	(1,576,897)	(1,379,466)
	$ 759,313	$ 885,617

Note 3 - Investments

Investments are stated at fair value and are summarized as follows:

	June 30, 2016	June 30, 2015
Cash and cash equivalents	$ 28,064	$ -
Equity mutual funds	3,852	-
Exchange-traded funds	55,254	-
Fixed-income securities - government agencies	20,046	-
Fixed-income securities - corporate bonds	143,572	-
Total investments	$ 250,788	$ -

Note 3 - Investments (continued)

Investment income consists of the following:

	For the Years Ended June 30, 2016	For the Years Ended June 30, 2015
Dividends and interest	$ 6,231	$ 755
Realized and unrealized loss on investments	(5,056)	-
Total investment income	$ 1,175	$ 755

Note 4 - Fair Value Measurement

The Organization values its financial assets and liabilities at fair value based on 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 following fair value hierarchy prioritizes inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodology used for assets measured at fair value:

Mutual funds and exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed-income securities: Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

There were no changes in the valuation technique during the year ended June 30, 2016.

Note 4 - Fair Value Measurement (continued)

Financial assets carried at fair value as of June 30, 2016 are classified in the table below:

Description	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	$ 3,852	$ -	$ -	$ 3,852
Exchange-traded funds	55,254	-	-	55,254
Fixed-income securities				
Government agencies	-	20,046	-	20,046
Corporate bonds	-	143,572	-	143,572
Total	$ 59,106	$ 163,618	$ -	$ 222,724

Note 5 - Capital Leases

The Organization has acquired office equipment under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized. The leases expire at various periods through July 2018. Amortization of the leased property is included in depreciation expense.

The assets under capital leases have cost and accumulated amortization as follows:

	June 30, 2016	June 30, 2015
Equipment	$ 23,858	$ 23,858
Less accumulated amortization	(19,527)	(16,442)
	$ 4,331	$ 7,416

Maturities of the capital lease obligations are as follows:

Year Ending June 30,	
2017	$ 2,448
2018	2,448
2019	204
Total minimum lease payments	5,100
Amount representing interest	(259)
Present value of net minimum lease payments	4,841
Less current portion	(2,261)
Long-term capital lease obligations	$ 2,580

Note 6 - Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 consist primarily of monies donated to the Organization for the development of new educational materials and to help cover travel costs for the international Interski event.

Note 7 - Income Taxes

For the years ended June 30, 2016 and 2015, there were no income taxes due from trade or business activities. As of June 30, 2016, net operating loss carryforwards of approximately $342,000 are available to reduce future unrelated business income. The net operating loss carryforwards began to expire during the year ended June 30, 2016 and will continue to expire during various years until June 30, 2031. As of June 30, 2016 and 2015, deferred tax assets of approximately $68,400 and $67,200, respectively, have not been recorded for the tax benefits of the net operating loss carryforwards due to the uncertainty of the realization of the deferred tax benefits. The net increase in the unrecorded deferred tax assets for the years ended June 30, 2016 and 2015 was $1,200 and $10,600, respectively.

Note 8 - Functional Allocation of Expenses

The following is a summary of expenses by functional classification. All expenses reported on the combined statements of activities have been allocated to programs or supporting services based on the percentage of the time spent by personnel on the activity and/or the amount of building space used by the activity, as applicable.

	June 30,	
	2016	2015
Program expenses		
Educational programs	$ 1,576,804	$ 1,433,863
Program publications	791,299	814,074
Total program expenses	2,368,103	2,247,937
Supporting services		
Management and general	982,160	1,093,371
Merchandise	470,471	501,825
Membership development	202,357	200,755
Total supporting services	1,654,988	1,795,951
	$ 4,023,091	$ 4,043,888

Note 9 - Related Party Transactions

Divisions

As of June 30, 2016 and 2015, the Organization owed ASEA's divisions $519,632 and $439,488, respectively, for annual dues collected on the divisions' behalf. As of June 30, 2016 and 2015, ASEA's divisions owed the Organization $525,412 and $552,326, respectively, for annual dues collected on the Organization's behalf.

Note 10 - Employee Benefit Plan

The Organization participates in a safe harbor 401(k) plan (the "Plan"). Employees are eligible to participate in the Plan upon the completion of the earlier of 500 hours of service within a three-month period or 1,000 hours of service and may contribute up to the amount stipulated in the federal annual guidelines. The Organization is required to make an annual safe harbor matching contribution equal to 100% of each employee's salary deferral, not to exceed 4% of compensation. For the years ended June 30, 2016 and 2015, the Organization contributed $28,449 and $35,450 to the Plan, respectively.