

# **USA Softball, Inc. and Subsidiary**

Consolidated Financial Report  
December 31, 2017

## Contents

---

Independent auditor's report	1-2
------------------------------	-----

---

Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6-11

---

Supplementary information	
Schedule 1—Consolidated schedule of support and revenues, budget and actual	12
Schedule 2—Consolidated schedule of program, umpire program, grant and other expenses, budget and actual	13-14
Schedule 3—Consolidated schedule of general and administrative expenses, budget and actual	14

---

## Independent Auditor's Report

To the Board of Directors  
USA Softball, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of USA Softball, Inc. and its subsidiary, ASA Properties, Inc. (collectively USA Softball), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016; the related consolidated statements of activities and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Softball, Inc. and its subsidiary as of December 31, 2017 and 2016, 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.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 (except for budget data marked as “unaudited”) 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, except for the budget data marked as “unaudited”, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Oklahoma City, Oklahoma  
June 29, 2018

USA Softball, Inc. and Subsidiary

Consolidated Statements of Financial Position  
December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,251,185	\$ 3,742,496
Restricted cash	45,568	32,149
Accounts receivable	696,553	566,063
Inventory	1,160,679	1,480,935
Prepaid expenses, deposits and other current assets	179,757	302,015
<b>Total current assets</b>	<b>6,333,742</b>	<b>6,123,658</b>
Property, equipment, and leasehold improvements net of accumulated depreciation and amortization	3,947,155	4,154,227
Annuity investments, at fair value	195,610	176,256
Collections	-	-
<b>Total assets</b>	<b>\$ 10,476,507</b>	<b>\$ 10,454,141</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 560,729	\$ 555,411
Accrued liabilities	172,055	125,171
Deferred income	345,661	383,865
<b>Total current liabilities</b>	<b>1,078,445</b>	<b>1,064,447</b>
Deferred compensation	79,707	82,372
<b>Total liabilities</b>	<b>1,158,152</b>	<b>1,146,819</b>
Net assets, unrestricted	<b>9,318,355</b>	<b>9,307,322</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,476,507</b>	<b>\$ 10,454,141</b>

See notes to consolidated financial statements.

**USA Softball, Inc. and Subsidiary**

**Consolidated Statements of Activities  
Years Ended December 31, 2017 and 2016**

	2017	2016
Changes in unrestricted net assets:		
Revenues:		
Program support:		
Membership registrations	\$ 6,671,234	\$ 6,472,512
Sponsorship and royalty revenue	2,039,828	2,071,610
Hall of Fame Stadium operations	1,174,016	1,085,475
National Council meeting revenue	150,617	108,665
Training aids and publications	56,449	44,149
Other program revenue	846,250	641,307
Contribution revenue	228,551	43,631
Umpire merchandise sales	1,640,688	1,256,321
<b>Total unrestricted revenues</b>	<b>12,807,633</b>	<b>11,723,670</b>
Expenses:		
Program expenses	10,424,151	9,291,164
Umpire merchandise cost of sales and related expenses	1,259,198	1,042,437
General and administrative	1,113,251	1,099,019
<b>Total expenses</b>	<b>12,796,600</b>	<b>11,432,620</b>
<b>Change in unrestricted net assets</b>	<b>11,033</b>	<b>291,050</b>
Unrestricted net assets at beginning of year	9,307,322	9,016,272
Unrestricted net assets at end of year	<b>\$ 9,318,355</b>	<b>\$ 9,307,322</b>

See notes to consolidated financial statements.

**USA Softball, Inc. and Subsidiary**

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

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 11,033	\$ 291,050
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	394,806	378,529
Bad-debt expense	9,549	17,081
Unrealized (gain) on annuity investments	(19,354)	(9,829)
Net loss on sales and disposals of property and equipment	22,615	9,960
Changes in operating assets and liabilities:		
Restricted cash	(13,419)	(32,149)
Accounts receivable	(140,039)	44
Inventory	320,256	(682,273)
Prepaid expenses, deposits and other current assets	122,258	(176,686)
Accounts payable	5,318	303,414
Accrued liabilities	46,884	30,226
Deferred income	(38,204)	79,628
Deferred compensation	(2,665)	(4,439)
<b>Net cash provided by operating activities</b>	<b>719,038</b>	<b>204,556</b>
Cash flows from investing activities:		
Purchases of property and equipment	(210,349)	(864,085)
Proceeds from sales of property and equipment	-	10,000
<b>Net cash used in investing activities</b>	<b>(210,349)</b>	<b>(854,085)</b>
<b>Net change in cash and cash equivalents</b>	<b>508,689</b>	<b>(649,529)</b>
Cash and cash equivalents at beginning of year	3,742,496	4,392,025
Cash and cash equivalents at end of year	<b>\$ 4,251,185</b>	<b>\$ 3,742,496</b>
Supplemental disclosures of cash flow information:		
Income taxes paid	<b>\$ 184,297</b>	<b>\$ 110,173</b>

See notes to consolidated financial statements.

## USA Softball, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies

**Description of business:** The primary purpose of USA Softball, Inc. (formerly Amateur Softball Association), and its subsidiary (collectively USA Softball) is to promote amateur softball throughout the United States of America as well as internationally. USA Softball is the softball authority in the United States of America and is the United States Olympic National Governing Body for softball. USA Softball is a member association. Members include local and state softball associations. USA Softball requires respective members to pay annual registrations to exhibit USA Softball's affiliation trademark. Registration fees are the primary support of USA Softball. USA Softball operates a softball stadium in which various tournaments are played. Also, USA Softball has a Hall of Fame in which the public can come and view the historical background of softball.

**Subsidiary:** ASA Properties, Inc. (ASAP), an Oklahoma for-profit corporation, was formed in 1996 and is a wholly owned subsidiary of USA Softball, Inc. Its purpose is to provide a full-service umpire merchandise program through the national office in which umpires may order official USA Softball wearing apparel and equipment.

The consolidated financial statements of USA Softball contain the accounts of its controlled subsidiary, ASAP. All significant intercompany and intra-fund transactions have been eliminated.

**Basis of accounting:** The accompanying consolidated financial statements of USA Softball have been prepared on the accrual basis of accounting for nonprofit organizations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The focus of these consolidated financial statements is to present USA Softball as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifications of fund balances and transactions into one of the following three classes of net assets: unrestricted, temporarily restricted or permanently restricted, as applicable. USA Softball recognizes gifts of cash and other assets whose donor-imposed restriction is accomplished in the same year in which the gift is received as unrestricted support. At December 31, 2017 and 2016, USA Softball had no restricted net assets.

**Cash and cash equivalents:** For purposes of the consolidated statements of cash flows, USA Softball considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Restricted cash:** At December 31, 2017 and 2016, USA Softball held restricted cash of \$45,568 and \$32,149, respectively, which resulted from concession sales at National Collegiate Athletics Association (NCAA) tournaments hosted at the stadium. The Board of Directors, through agreement with the NCAA, has restricted its use for capital improvements to be made on the stadium.

**Receivables and credit policy:** Accounts receivable consist of amounts billed to customers for purchases of inventory and other contractual agreements. USA Softball's management considers various factors in estimating its allowance for doubtful accounts, including the length of time from the initial billing of the customer, the payment history of the customer, the customer's financial status, and USA Softball's overall collection history. Receivables are normally considered to be delinquent when they become 90 days outstanding from the date they were originally billed. A receivable is charged against the allowance when management has determined that all methods for collection of the receivable have been exhausted. There was no allowance for doubtful accounts as of December 31, 2017 and 2016.

**Inventory:** Inventory consists primarily of umpire equipment, clothing and souvenirs held for resale. The carrying value of inventory is determined principally by the lower of cost (first-in, first-out method) or market (net realizable sales value) method.

## USA Softball, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Property, equipment and leasehold improvements:** USA Softball generally capitalizes all property, equipment and leasehold improvements purchased at a cost equal to or exceeding \$1,000. Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Improvements to the stadium and other facilities operated by USA Softball, that are paid by the City of Oklahoma City (the City), are not included in the consolidated financial statements as the stadium and related land are owned by the City. Construction costs and other improvements paid by USA Softball are capitalized as leasehold improvements and amortized over the lesser of their estimated useful lives or the remaining life of the lease.

**Fair value measurements:** USA Softball follows Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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 inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

**Level 1:** Unadjusted quoted prices for identical assets or liabilities in active markets that USA Softball has the ability to access.

**Level 2:** Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to 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:** Unobservable and significant to the fair value measurement.

The 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 measurement.

**Annuity investments:** Annuity investments are comprised of one mutual fund recorded at fair value at December 31, 2017 and 2016. Fair values for USA Softball's mutual fund are based on quoted prices from major exchanges such as the NYSE or NASDAQ. USA Softball's annuity investment is the only asset or liability carried at fair value by USA Softball on a recurring or nonrecurring basis and is classified as a Level 1 asset within the fair value hierarchy.

**Collections:** USA Softball does not recognize the cost or value of its collections as assets in the consolidated statements of financial position, nor does it recognize gifts of collection items as revenues in the consolidated statements of activities. USA Softball's collections were all acquired through contributions, and are made up of historical softball memorabilia and artifacts and are held for historical and educational purposes. Each of the items is cataloged, preserved and cared for, and activities verifying existence and condition are performed regularly. Purchases of collection items, if any in future periods, are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. USA Softball's collections are subject to a policy requiring proceeds from collection sales to be used to acquire other items for collections.

## USA Softball, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Deferred compensation:** USA Softball has an agreement with one employee that provides for monthly payments of \$1,000 upon retirement at age 65 or later if employment is continued. The monthly payments will continue after retirement for the remainder of the employee's life, with 120 monthly payments guaranteed certain. It is management's opinion that no other current or future employees will be granted such agreements. USA Softball paid \$12,000 of benefits to the retired employee in both 2017 and 2016. The deferred compensation liability is recorded at the present value of the expected future aggregate payments to be made in accordance with the agreement. The present value of the payments was determined using the Internal Revenue Code "Single Life" tables and a discount rate equal to the 30-year U.S. Treasury Bond rate of 2.74 percent and 3.06 percent at December 31, 2017 and 2016, respectively.

**Deferred income:** USA Softball receives deposits from municipalities that will host future national tournaments. These deposits are advances of guaranteed fees to USA Softball. The revenue for these fees is recognized when the tournament is held. Additionally, USA Softball, as part of its sponsorship revenue program, receives monies in advance of the period that the monies are earned. USA Softball recognizes revenue from the sponsorships as earned under terms of the contract. For contracts with minimum guarantees, the revenue is recognized ratably over the term of the contract.

**Revenue recognition:** Membership registration fees are reported in program support and are recognized as revenue in the applicable membership period. Expenses related to membership registration, are charged to expense in the period in which the related revenue is recognized. For the years ended December 31, 2017 and 2016, USA Softball received \$293,311 and \$284,330, respectively, of prepaid registration fees from certain local associations (net of related deferred expenses of \$151,847 and \$146,050, respectively). These registration fees are recognized pro-rata over the period in which related benefits are received. The portion of the registration that applies to future periods are included in deferred revenue in the consolidated statement of financial position.

Merchandise sales, and program support revenues, excluding membership registrations, are recognized when earned and/or when the related services are provided. USA Softball recognizes contributions of cash and other assets whose donor-imposed restriction is accomplished in the same year in which the gift is received as unrestricted support. Unconditional promises to give, are recognized in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

USA Softball follows the ASC, which states that resources received in exchange transactions shall be classified as unrestricted revenues and net assets, even in circumstances in which the resource provider places limitations on the use of the resources.

**Functional allocation of expenses:** The costs of various programs and activities have been summarized on a functional basis in the consolidated financial statements. Costs are allocated between the functional classifications based on the evaluation of the related activity. General and administrative expenses are those expenses not directly identified with a specific program or activity which provide for the overall support and direction of USA Softball.

**Classification of shipping and handling costs:** All amounts billed to customers for shipping and handling are included in umpire merchandise sales and program support. Costs incurred related to shipping and handling are included in umpire merchandise cost of sales and related expenses and program expense.

## USA Softball, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Advertising costs:** The costs of advertising and promotion activities are expensed as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016, was approximately \$337,000 and \$266,000, respectively.

**Use of estimates:** Management of USA Softball has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

**Accounting for uncertain tax positions:** USA Softball follows ASC Topic 740, Income Taxes, which addresses the accounting for uncertainty in income taxes. Management has evaluated USA Softball's tax positions and concluded that USA Softball has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

**Concentration of credit risk:** Substantially all of USA Softball's cash is held on deposit at one financial institution. However, USA Softball utilizes a combination of sweep accounts to limit its risk associated with a financial institution failure. USA Softball has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**Recently issued accounting pronouncements:** In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. This standard becomes effective for USA Softball for the fiscal year beginning after December 15, 2018. ASU No. 2016-18 must be applied using a retrospective transition method with early adoption permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-18 will have on its financial statements.

On August 26, 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update provide cash flow statement classification guidance for the following eight categories: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. This standard becomes effective for USA Softball for the fiscal year beginning after December 15, 2018. Earlier application is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-15 will have on its financial statements.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update change presentation and disclosure requirements for not-for profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. This standard becomes effective for USA Softball for the fiscal year beginning after December 15, 2017. Earlier application is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-14 will have on its financial statements.

## USA Softball, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. This standard becomes effective for USA Softball for the fiscal year beginning after December 15, 2019. Earlier application is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-02 will have on its financial statements.

On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU applies to all entities that hold financial assets or owe financial liabilities and represents the finalization of just one component of the FASB's broader financial instruments project. This standard becomes effective for USA Softball for the fiscal year beginning after December 15, 2018. Early adoption is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-01 on its financial statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for USA Softball's fiscal year beginning after December 15, 2018. Early adoption is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2014-09 will have on its financial statements.

**Subsequent events:** Management has evaluated subsequent events through June 29, 2018, the date the consolidated financial statements were available to be issued. For the year ended December 31, 2017, there were no subsequent events requiring recognition.

#### Note 2. Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements consist of the following at December 31, 2017 and 2016:

	Useful Lives	2017	2016
Stadium leasehold improvements	5-40 years	\$ 6,982,160	\$ 6,897,856
Buildings, signs and grounds (leasehold improvements)	7-40 years	1,797,320	1,755,067
Hall of Fame interior	7-10 years	328,919	328,919
Furniture and office equipment	3-10 years	1,553,227	1,561,162
Statue and plaza	10-15 years	114,970	114,970
		<u>10,776,596</u>	<u>10,657,974</u>
Accumulated depreciation and amortization		<u>(6,829,441)</u>	<u>(6,503,747)</u>
		<u>\$ 3,947,155</u>	<u>\$ 4,154,227</u>

## USA Softball, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### **Note 2. Property, Equipment, and Leasehold Improvements (Continued)**

The stadium and associated improvements (leasehold improvements) are located on land leased under a long-term lease with the City for a nominal annual rental payment of \$1. The City and the NCAA control the scheduling of major NCAA-sanctioned events and they receive the proceeds from such events, including ticket sales and primarily all signage revenues. As a result, this nominal lease does not meet the criteria specified by accounting standards for a gift in kind; therefore, there is no recognition of fair value, if any, related to any lease value in excess of \$1. USA Softball is required to perform all necessary routine maintenance to keep the stadium facilities in an operating condition expected of a first class softball facility. The term of the lease expires in 2049 with a renewal option for an additional term of 35 years.

#### **Note 3. Income Taxes**

USA Softball is generally exempt from federal income taxes on its related income under the provisions of Internal Revenue Code (IRC) section 501(a) as an organization described in section 501(c)(3). However, USA Softball is subject to income taxes under IRC section 511 on net income it produces not related to the exempt operations of USA Softball. Unrelated business income tax expense of approximately \$19,000 and \$5,000 for the years ended December 31, 2017 and 2016, respectively, is recognized in net income of the operations not related to USA Softball's tax-exempt purpose and is included in general and administrative expenses in the consolidated statements of activities. Certain income tax expense reported by ASAP for the years ended December 31, 2017 and 2016, was approximately \$55,000 and \$12,000, respectively.

#### **Note 4. Employee Benefits**

USA Softball offers a 401(k) profit sharing plan (the Profit Sharing Plan) covering substantially all full-time employees, including part-time employees working at least 1,000 hours. Employer contributions under the Profit Sharing Plan are not defined and could vary from year to year. Although employer contributions are not defined in the Profit Sharing Plan, management currently anticipates they will utilize an 8 percent contribution rate. Benefits of the Profit Sharing Plan are limited to the plan assets. Profit sharing expense for the years ended December 31, 2017 and 2016 was approximately \$106,000 and \$85,000, respectively. Profit sharing expense includes approximately \$19,000 and \$10,000 of unrealized gain/(loss) on annuity investments in the years ended December 31, 2017 and 2016, respectively. No employee matching is required.

#### **Note 5. Commitments and Contingencies**

In the normal course of business, various actions and claims have been brought or asserted against USA Softball. Management believes all of these actions and claims are covered under existing insurance policies within established policy limits.

In the normal course of business, USA Softball enters into various agreements providing production and rights to televise events hosted at the stadium. The contracts are not expected to have a significant impact on the revenues or costs associated with hosting such events.

## USA Softball, Inc. and Subsidiary

Consolidated Schedule of Support and Revenues, Budget and Actual  
Year Ended December 31, 2017

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Program support:			
Membership registration:			
Registrations	\$ 6,200,000	\$ 5,683,910	\$ (516,090)
Clinics and schools	87,000	595,559	508,559
Tournament assessments	463,000	391,765	(71,235)
Hall of Fame Stadium operations	912,500	1,174,016	261,516
	<u>7,662,500</u>	<u>7,845,250</u>	<u>182,750</u>
Sales of training aids, publications and advertising:			
Official guide and rule book	20,000	9,725	(10,275)
Training aids and merchandise	15,000	46,724	31,724
	<u>35,000</u>	<u>56,449</u>	<u>21,449</u>
Sponsorships and royalties	<u>1,943,000</u>	<u>2,039,828</u>	<u>96,828</u>
National Council meeting revenues:			
Booths at annual meetings	20,000	30,500	10,500
Sponsorship for National Council meeting	20,000	54,145	34,145
Member registration	60,000	65,972	5,972
	<u>100,000</u>	<u>150,617</u>	<u>50,617</u>
Other program revenue:			
Shipping income	23,000	23,185	185
Merchandise sales	235,000	373,242	138,242
United States Olympic Committee grant	170,000	159,800	(10,200)
Other	251,500	290,023	38,523
	<u>679,500</u>	<u>846,250</u>	<u>166,750</u>
<b>Total program support</b>	<u>10,420,000</u>	<u>10,938,394</u>	<u>518,394</u>
Contribution revenue	<u>88,000</u>	<u>228,551</u>	<u>140,551</u>
Umpire merchandise sales:			
Sales of merchandise	1,400,000	1,477,692	77,692
Postage and handling/finance charge	160,000	162,996	2,996
	<u>1,560,000</u>	<u>1,640,688</u>	<u>80,688</u>
<b>Total support and revenues</b>	<u>\$ 12,068,000</u>	<u>\$ 12,807,633</u>	<u>\$ 739,633</u>

## USA Softball, Inc. and Subsidiary

Consolidated Schedule of Program, Umpire Program, Grant and Other Expenses, Budget and Actual  
Year Ended December 31, 2017

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Program expenses:			
Registration expenses:			
Memberships/dues/subscriptions	\$ 585,000	\$ 514,728	\$ 70,272
Hall of Fame Stadium operations	1,135,000	1,360,605	(225,605)
	<u>1,720,000</u>	<u>1,875,333</u>	<u>(155,333)</u>
Publication expenses:			
Postage and freight	194,000	177,013	16,987
Printing and binding	273,000	295,442	(22,442)
Balls and Strikes Magazine	5,000	4,000	1,000
	<u>472,000</u>	<u>476,455</u>	<u>(4,455)</u>
Tournament expenses:			
Other	295,000	239,812	55,188
Conferences, clinics, schools and workshops:			
Advertising and promotion	372,000	337,308	34,692
Travel	145,000	158,394	(13,394)
National Council meeting	331,000	342,350	(11,350)
J.O. coach and player camps	-	21,529	(21,529)
National UIC Clinic	160,000	600,853	(440,853)
	<u>1,008,000</u>	<u>1,460,434</u>	<u>(452,434)</u>
Other program expenses:			
Cost of resale materials	120,000	256,410	(136,410)
Contract services	162,000	150,620	11,380
Personnel services	1,834,688	1,755,815	78,873
Depreciation expense	-	394,806	(394,806)
Insurance	2,924,000	2,552,270	371,730
Hall of Fame induction	10,000	14,423	(4,423)
Training	897,000	1,208,552	(311,552)
Other	22,000	39,221	(17,221)
	<u>5,969,688</u>	<u>6,372,117</u>	<u>(402,429)</u>
<b>Total program expenses</b>	<u>9,464,688</u>	<u>10,424,151</u>	<u>(959,463)</u>

(Continued)

**Schedule 2**

**USA Softball, Inc. and Subsidiary**

**Consolidated Schedule of Program, Umpire Program, Grant and Other Expenses, Budget and Actual  
(Continued)  
Year Ended December 31, 2017**

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Umpire program cost of sales and related expenses:			
Cost of merchandise sold	\$ 650,000	\$ 819,656	\$ (169,656)
Umpire personnel	150,000	153,203	(3,203)
Shipping supplies	10,000	12,576	(2,576)
Freight/postage	204,000	216,472	(12,472)
Income tax expense	80,000	55,110	24,890
Other	2,000	2,181	(181)
<b>Total umpire program cost of sales and related expenses</b>	<b>1,096,000</b>	<b>1,259,198</b>	<b>(163,198)</b>

**Schedule 3**

**Consolidated Schedule of General and Administrative Expenses, Budget and Actual  
Year Ended December 31, 2017**

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
General and administrative expenses:			
Personnel services	\$ 418,000	\$ 278,632	\$ 139,368
Contract services	413,000	403,562	9,438
Utilities	139,000	131,990	7,010
Telephone	70,000	79,577	(9,577)
Office supplies	35,000	26,515	8,485
Office equipment maintenance	6,000	4,109	1,891
Computer maintenance	35,000	28,227	6,773
Grounds/buildings maintenance	10,000	6,435	3,565
UBIT, state and miscellaneous taxes	10,000	19,333	(9,333)
Bad-debt expenses	6,000	9,549	(3,549)
Bank service charges	38,000	45,937	(7,937)
Credit card services charges	23,000	25,583	(2,583)
Insurance	58,000	53,802	4,198
<b>Total general and administrative expenses</b>	<b>\$ 1,261,000</b>	<b>\$ 1,113,251</b>	<b>\$ 147,749</b>
<b>Total program, umpire program cost of sales and related expenses, and general and administrative expenses</b>	<b>\$ 11,821,688</b>	<b>\$ 12,796,600</b>	<b>\$ (974,912)</b>

