

USA Softball, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2019

Contents

Independent auditor's report	1-2
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Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-23

Supplementary information	
Schedule 1—Consolidated schedule of revenues, gains and other support, budget and actual	24
Schedule 2—Consolidated schedule of expenses, budget and actual	25-27



RSM US LLP

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 statement of financial position as of December 31, 2019, the related consolidated statements of activities, functional expenses, and cash flows for the year 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 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 of 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.

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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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, except for budget data marked as “unaudited”, 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, 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.

Report on Summarized Comparative Information

We have previously audited USA Softball, Inc. and its subsidiary’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Oklahoma City, Oklahoma
October 7, 2020

USA Softball, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,309,180	\$ 4,396,322
Restricted cash	50,000	-
Accounts receivable	518,338	564,265
Inventory	892,321	1,056,619
Prepaid expenses, deposits and other current assets	183,104	205,051
Total current assets	5,952,943	6,222,257
Property, equipment, and leasehold improvements, net	3,613,329	3,801,477
Investment	219,604	189,833
Beneficial interest in assets held by others	230,873	192,283
Total assets	\$ 10,016,749	\$ 10,405,850
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 297,540	\$ 406,032
Accrued liabilities	116,657	140,230
Deferred revenue	359,559	471,713
Total current liabilities	773,756	1,017,975
Deferred compensation	-	74,568
Total liabilities	773,756	1,092,543
Net assets:		
Without donor restrictions	9,224,029	9,313,307
With donor restrictions	18,964	-
Total net assets	9,242,993	9,313,307
Total liabilities and net assets	\$ 10,016,749	\$ 10,405,850

See notes to consolidated financial statements.

USA Softball, Inc. and Subsidiary

Consolidated Statements of Activities

Year Ended December 31, 2019 (with Summarized Comparative Information for the Year Ended December 31, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains and other support:				
Program support:				
Registrations and assessments	\$ 6,628,999	\$ -	\$ 6,628,999	\$ 6,851,751
Sponsorships and royalty revenue	2,355,768	-	2,355,768	2,134,306
Hall of Fame Stadium operations	591,837	-	591,837	309,313
National Council meeting revenue	121,243	-	121,243	168,167
Umpire merchandise sales	1,395,030	-	1,395,030	1,544,226
Concession and other merchandise sales	1,024,367	-	1,024,367	766,444
Contribution revenue	603,471	18,964	622,435	436,428
Investment return, net	39,624	-	39,624	-
Change in value of beneficial interest in assets held by others	38,590	-	38,590	(7,717)
Loss on sale/disposal of assets	-	-	-	(109,181)
Gain on termination of annuity agreement	74,568	-	74,568	-
Other income	6,860	-	6,860	9,057
Total revenues, gains and other support	12,880,357	18,964	12,899,321	12,102,794
Expenses:				
Program expenses:				
Program services	10,681,449	-	10,681,449	9,600,760
Umpire merchandise and related expenses	1,099,410	-	1,099,410	1,183,283
General and administrative	1,171,328	-	1,171,328	1,323,799
Fundraising	17,448	-	17,448	-
Total expenses	12,969,635	-	12,969,635	12,107,842
Change in net assets	(89,278)	18,964	(70,314)	(5,048)
Net assets at beginning of year	9,313,307	-	9,313,307	9,318,355
Net assets at end of year	\$ 9,224,029	\$ 18,964	\$ 9,242,993	\$ 9,313,307

See notes to consolidated financial statements.

USA Softball, Inc. and Subsidiary

Statements of Functional Expenses

Year Ended December 31, 2019 (with Summarized Comparative Information for the Year Ended December 31, 2018)

	2019					2018 Total
	Program Expenses		General and Administrative	Fundraising	Total	
	Program Services	Umpire Merchandise and Related Expenses				
Advertising and promotions	\$ 217,751	\$ -	\$ -	\$ -	\$ 217,751	\$ 170,508
Camps and clinics	566,658	-	-	-	566,658	485,971
Contract services	330,844	-	304,533	-	635,377	679,172
Cost of merchandise sold	392,353	631,201	-	-	1,023,554	1,096,812
Depreciation	227,563	-	106,551	-	334,114	365,490
Events	18,708	-	-	17,448	36,156	-
Grants	16,481	-	-	-	16,481	-
Insurance	2,912,147	-	68,276	-	2,980,423	3,083,799
Maintenance costs	128,640	-	54,347	-	182,987	257,512
Meetings	193,103	-	-	-	193,103	200,289
Membership, dues and subscriptions	486,334	-	-	-	486,334	483,812
National team tournament costs	572,617	-	-	-	572,617	318,612
Other	6,078	55,219	151,224	-	212,521	300,072
Personnel costs	1,443,480	272,035	462,389	-	2,177,904	2,235,550
Postage and freight	169,305	140,955	-	-	310,260	348,712
Publications and printing	309,842	-	-	-	309,842	315,984
Tournament fees and awards	1,232,338	-	-	-	1,232,338	516,336
Travel and accommodations	1,359,536	-	-	-	1,359,536	1,118,066
Utilities	97,671	-	24,008	-	121,679	131,145
Total expenses	\$ 10,681,449	\$ 1,099,410	\$ 1,171,328	\$ 17,448	\$ 12,969,635	\$ 12,107,842

See notes to consolidated financial statements.

USA Softball, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (70,314)	\$ (5,048)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	334,114	365,490
Bad debt (recovery) expense	(16,378)	45,467
Unrealized (gain) loss on investment	(29,771)	5,777
Change in value of beneficial interest in assets held by others	(38,590)	7,717
Net loss on disposal of property and equipment	-	109,181
Changes in operating assets and liabilities:		
Accounts receivable	62,305	86,821
Inventory	164,298	104,060
Prepaid expenses, deposits and other current assets	21,947	(25,294)
Accounts payable	(108,492)	(154,697)
Accrued liabilities	(23,573)	(31,825)
Deferred revenue	(112,154)	126,052
Deferred compensation	(74,568)	(5,139)
Net cash provided by operating activities	108,824	628,562
Cash flows from investing activities:		
Purchases of property and equipment	(145,966)	(328,993)
Contribution to beneficial interest in assets held by others	(7,041)	(200,000)
Distribution from beneficial interest in assets held by others	7,041	-
Net cash used in investing activities	(145,966)	(528,993)
Net change in cash, cash equivalents and restricted cash	(37,142)	99,569
Cash, cash equivalents and restricted cash at beginning of year	4,396,322	4,296,753
Cash, cash equivalents and restricted cash at end of year	\$ 4,359,180	\$ 4,396,322
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 94,217	\$ 97,467

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 apparel and equipment.

The consolidated financial statements of USA Softball contain the accounts of USA Softball, Inc. and its controlled subsidiary, ASAP. All significant inter-organizational transactions have been eliminated in consolidation.

Basis of accounting: USA Softball's financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The financial statements 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).

Revenue recognition for exchange transactions (program support): USA Softball earns program (exchange) revenue from registrations and assessments, sponsorships and royalty revenue, Hall of Fame operations, National Council meeting, and concession and merchandise sales. Revenue is recognized based on the following steps: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) USA Softball satisfies each performance obligation.

Registrations and assessments: USA Softball provides multiple membership benefits to registered members during each membership period. Benefits provided by USA Softball include eligibility to participate in USA Softball sanctioned events, insurance coverage, copies of official rule books and other education materials, magazine subscription, and various discounts with 3rd party vendors. USA Softball recognizes membership revenue over time as the customer simultaneously receives and consumes the benefits of the membership throughout the membership period. The timing of revenue recognition is based on a time-measure of progress as USA Softball provides access to the benefits evenly over the course of the membership period. Shipping and handling are considered costs to fulfill the promise to transfer any physical materials associated with membership and not as a separate performance obligation.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

USA Softball provides umpire and other officiating services for tournaments hosted in various cities throughout the United States. The services are transferred over time to the customer on each day of the tournament. The services are provided continuously over the contract period, so the services in the contract generally represent a single performance obligation comprising a series of distinct service periods. The contract's transaction price is allocated to the series of distinct services that constitute a single performance obligation and are recognized when, or as, the performance obligation is satisfied. The transaction price for these services consists entirely of variable consideration for which the customer compensates USA Softball for a set amount per registered team. Variable consideration earned is allocated based on activities performed daily by USA Softball to the distinct day in which those activities are performed. When USA Softball acts as the host and/or organizer of tournaments, USA Softball contracts with individual teams. The transaction price consists of fixed amount per team and is allocated to the series of distinct services that constitute a single performance obligation and recognized when, or as, the performance obligation is satisfied.

USA Softball works with softball programs throughout the United States to provide softball camps and clinics for both teams and individuals. This revenue is recognized over time (daily basis) as the services generally represent a single performance obligation comprising of a series of distinct service periods and related revenue is recognized as the performance is satisfied. The transaction price for these camps and clinics consists entirely of fixed consideration, with the exception of one camp in which USA Softball is reimbursed for its expenses to conduct the camp for underserved communities, and thus is entirely variable consideration.

Sponsorships and royalty revenue: USA Softball earns royalties on the license of trademarks to ball and bat manufacturers. Revenue from the licenses is recognized upon the making of the trademark available to the customer. For all but one contract, the transaction price consists partially or entirely of variable consideration where the customer compensates USA Softball based on the number of units with the USA Softball mark sold, with some contracts having minimum annual guarantees. The transaction price for one bat contract consists of fixed annual consideration for unlimited use of the trademarks within the terms of the contract. USA Softball also earns royalties on the license of trademarks to various customers for use on clothing, apparel, and other sports related products. The transaction price for these contracts consists partially or entirely of variable consideration where the customer compensates USA Softball based on sales of the product, with some contracts having minimum annual guarantees. Revenue from the licenses is recognized upon the making of the trademark available to the customer.

USA Softball earns royalties on the license of marks and the exclusive right and license to the United States Olympic Committee to create and distribute content by hosting USA Softball's official website and digital platforms. Revenue from the license is recognized upon the making of the trademark and license available to the customer. The transaction price consists entirely of variable consideration where the customer compensates USA Softball based on the number of annual unique visitors.

USA Softball earns revenue through the sale of official sponsorships with various suppliers. These sponsorships include the license of marks and various opportunities to be recognized as an "Official Supplier" throughout the term of the contract. Sponsorship recognition occurs through a variety of media and in-person events. One contract includes a retail license in addition to the benefits noted above. The transaction price consists of fixed fees. Some contracts include an allotment of noncash consideration in the form of the customer's product either annually or over the contract term. The timing of revenue recognition is based on an output-measure of progress as USA Softball provides benefits over the course of the sponsorship period.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

USA Softball earns revenues from other sponsorships that do not include the license of marks. Many of these sponsorship terms are limited to the duration of a specific event or tournament. The transaction price either consists of fixed fees or all variable consideration where the customer compensates USA Softball a set amount per team/individual registered for the event or tournament. The timing of revenue recognition is based on an output-measure of progress as USA Softball provides benefits over the course of the sponsorship period.

Sponsorship and royalty revenue recognized at a point in time for the years ended December 31, 2019 and 2018, was \$1,587,403 and \$1,431,796, respectively. Sponsorship and royalty revenue recognized over time for the years ended December 31, 2019 and 2018 was \$768,365 and \$702,510, respectively.

Hall of Fame Stadium operations: USA Softball earns revenue through agreements with 3rd parties by hosting tournaments at the Hall of Fame Stadium. Hosting services are transferred over time to the customer on each day of the tournament. The services are provided continuously over the contract period, so the services in the contract generally represent a single performance obligation comprising a series of distinct service periods. The contract's transaction price is allocated to the series of distinct services that constitute a single performance obligation and recognized when, or as, the performance obligation is satisfied. The transaction price consists entirely of variable consideration for which the customer compensates USA Softball based on a percentage of tournament receipts and/or reimbursable expenses incurred by USA Softball for the tournament. USA Softball recognizes all reimbursable expenses as revenue as the related services are provided, using the right-to-invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred.

National Council meeting: USA Softball conducts an annual council meeting, where members across the United States meet to evaluate the needs of USA Softball. An annual tradeshow occurs during the annual meeting. USA Softball receives revenue from member registrations, sponsorships, and booth space at the trade show. Revenue is recognized over the period of the meeting/tradeshow for registrations and booth space, and over the period of sponsorship.

Umpire merchandise sales and concession and other merchandise sales: USA Softball sells official umpire gear and other sports merchandise and memorabilia through their online storefront, Hall of Fame Stadium gift shop, and during events. Additionally, USA Softball sells training aids and publications. Revenue recognized from the sale of merchandise is recognized when the performance obligation is fulfilled, usually at the time of shipment or at the point of sale, at the net sales price (transaction price). Shipping and handling are considered costs to fulfill the promise to transfer the associated merchandise and not as a separate performance obligation. Customers generally have a right of return for merchandise purchased; however, management has determined that such amounts are not material.

USA Softball also sells memorabilia, programs, and souvenir items as well as concession items during tournaments and other events at the Hall of Fame Stadium. Revenue recognized from the sale of merchandise and concessions occurs at the point of sale when the performance obligation is fulfilled. Merchandise and concession sales are recorded at the net sales price (transaction price).

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Receivables and credit policy: Accounts receivable consists of amounts billed to customers for purchases of inventory and other contractual agreements. Accounts receivable for merchandise sales is 60 days, while other receivables are due in 30 days of the invoice date. Accounts receivable are stated at the amounts due from customers, net of an allowance for doubtful accounts.

In instances, where the timing of revenue recognition differs from the timing of the right to invoice, USA Softball has determined that a significant financing component generally does not exist. The primary purpose of USA Softball's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and services and not to receive financing from or provide financing to the customer. USA Softball has elected the practical expedient that permits the Company to not recognize a significant financing component if the time between transfer of a good or service and payment is one year or less.

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 for doubtful accounts when management has determined that all methods for collection of the receivable have been exhausted. USA Softball recognized bad debt (recoveries) expense of (\$16,378) and \$45,000 in 2019 and 2018, respectively, and has an allowance for doubtful accounts of \$0 and \$45,000 at December 31, 2019 and 2018, respectively.

Deferred revenue: 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 the terms of the contract. Expenses related to membership registration, are recorded in the period in which the related revenue is recognized. The portion of the registration that applies to future periods are included in deferred revenue in the consolidated statements of financial position.

Net asset classifications: Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. USA Softball is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without donor restriction: Net assets not subject to donor-imposed purpose or time restriction. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors. At December 31, 2019 and 2018, USA Softball's Board of Directors has designated net assets for the following purposes:

Designated for endowment: Amounts designated to function as endowment to provide, on an ongoing basis, a supplemental revenue source for the National Teams. These funds are subject to the investment and spending policies for endowments as more fully described in Note 10.

With donor restriction: Net assets subject to donor-imposed restrictions that may or will be met either by actions of USA Softball and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received by USA Softball. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions other than cash are recorded at their estimated fair value on the gift date. Contributed services received by USA Softball are recognized as contribution revenue when (1) they create or enhance a nonfinancial asset and/or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Gifts of cash and other assets are recognized as restricted support if they are received with donor restrictions that limit the use of the donated assets. When donor restricted gifts are received and the restriction is fulfilled or satisfied within the same year, the contribution is reported as contributions without donor restriction.

Cash and cash equivalents: USA Softball considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Restricted cash: Restricted cash represents funds which are contractually restricted. USA Softball's Women's College World Series (WCWS) Agreement with the National Collegiate Athletic Association (NCAA) requires that annually, \$50,000 of certain excess receipts from the WCWS, be held in a restricted account to fund capital improvements at the Hall of Fame Stadium and Complex (the Complex).

Inventory: Inventory consists primarily of umpire equipment, clothing and souvenirs held for resale. Inventory is valued at the lower of cost or net realizable value, using the first-in, first-out (FIFO) cost method.

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 support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. 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 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 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.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. Financial assets and liabilities carried at fair value on a recurring basis include investments and beneficial interest in assets held by others. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis or liabilities carried at fair value on a recurring basis at December 31, 2019 or 2018.

Investment: The investment is one mutual fund carried at fair market value. Realized gains and losses are determined using the average cost method. Realized and unrealized gains and losses, dividends and external investment fees and direct internal costs (if any) are included in investment return in the appropriate net asset class in the consolidated statement of activities.

Beneficial interest in assets held by others: USA Softball follows the ASC guidance, which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 9). USA Softball carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (OCCF) at fair value. Changes in the fair value of the beneficial interest in assets held by others, net of any related fees, is included in change in value of beneficial interest in assets held by others in the consolidated statements of activities.

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 net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions 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.

Deferred compensation: USA Softball had an agreement with one former employee that provided for monthly payments of \$1,000 upon retirement. The monthly payments were to continue for the remainder of the employee's life, with 120 monthly payments guaranteed. In December of 2019, the former employee became deceased, and as the minimum 120 payments had been met, the deferred compensation agreement terminated. USA Softball recognized a gain of \$74,568 upon termination of the remaining estimated obligation. It is management's opinion that no other current or future employees will be granted such agreements. USA Softball paid \$12,000 in benefits to the retired employee in both 2019 and 2018. Prior to termination, the deferred compensation liability was 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 3.02% at December 31, 2018.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: Expenses which apply to more than one functional category have been allocated between program expenses, general and administrative, and fundraising based on evaluation of the related activities. Depreciation is allocated based on square footage and use of the associated assets, and personnel costs are based on time and effort of the individual employees in performing the various functions. The remaining expenses are not allocated as they are direct costs of a specific function. 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/or concession and other merchandise sales. Costs incurred related to shipping and handling are included in program services expense and/or umpire merchandise and related expense in the consolidated statements of activities.

Advertising costs: The costs of advertising and promotion activities are expensed as they are incurred. Advertising expense for the years ended December 31, 2019 and 2018 was approximately \$218,000 and \$171,000, 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.

Significant estimates: Estimates that are particularly susceptible to significant change include the valuation of investments and beneficial interest in assets held by others. These assets are exposed to a variety of risks, such as interest rate, credit, and overall market volatility. Significant fluctuations in fair value of these assets could occur from year to year, and the amounts USA Softball will ultimately realize could differ materially.

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 financial statements to comply with the provisions of this guidance.

Concentrations: USA Softball maintains cash in bank depository accounts which, at times, may exceed federally insured limits. 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.

At December 31, 2019 gross accounts receivable totaling approximately \$215,000 are due from four customers, representing approximately 41% of gross accounts receivable. At December 31, 2018 gross accounts receivable totaling approximately \$281,000 are due from five customers, representing approximately 50% of gross accounts receivable.

In 2019, USA Softball received contributions from one donor totaling approximately \$314,000, representing approximately 50% of total contribution revenue. In 2018, USA Softball received contributions from one donor totaling approximately \$212,000, representing approximately 49% of total contribution revenue.

Three vendors constitute USA Softball's major suppliers of umpire gear and other inventory items. In 2019 and 2018, approximately 58% and 40% of USA Softball's total inventory purchases were from these vendors.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting pronouncements adopted: USA Softball adopted the FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606 or ASC 606)* effective January 1, 2019. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. In addition, the new guidance requires disclosure of the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. USA Softball adopted ASC 606 using the modified retrospective transition method and applied the guidance to those contracts not completed as of December 31, 2018. Adoption of ASC 606 did not have a significant impact on the recognition of revenues; therefore, USA Softball did not have an opening net asset adjustment and adoption had no significant impact on revenue recognition, operating results or cash flows.

USA Softball adopted 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. Adoption of ASU 2016-15 did not have a significant impact on USA Softball's consolidated statements of cash flows.

USA Softball adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 was adopted using the retrospective transition method and resulted in the inclusion of restricted cash in the beginning-of-period and end-of-period total amounts shown on the statement of cash flows and related changes in restricted cash also being reflected within the change in cash, cash equivalents, and restricted cash for the period.

USA Softball adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) on January 1, 2019. These amendments clarify and improve current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. The amendments also clarify how an entity determines whether a resource provider is receiving commensurate value and expands the criteria for determining whether a contribution is conditional. These are important because such determinations and classifications affect the timing of revenue and expense recognition. USA Softball adopted the new guidance using the modified prospective basis and applied the guidance to agreements that were either (1) not completed as of the effective date or (2) entered into after the effective date. Adoption of ASU 2018-08 did not have a significant impact on USA Softball's revenue recognition, operating results or cash flows.

USA Softball adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statements, including the consideration of costs and benefits. USA Softball elected to implement ASU 2018-13 in the current period and retrospectively applied all applicable provisions. Implementation reduced certain fair value measurement disclosures in Note 11.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance affects any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. This amendment is effective for USA Softball for fiscal year ending December 31, 2022. Early adoption is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-02 will have on its financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The amendment applies to all entities that maintain collections and modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The amendment is effective for USA Softball for fiscal year ending December 31, 2020. Early adoption is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2019-03 will have on its financial statements.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with USA Softball's financial statements for the year ended December 31, 2018, from which the summarized information was derived. Certain reclassifications of prior year comparative totals have been made in order to conform to the current year presentation.

Subsequent events: Management has evaluated subsequent events through October 7, 2020, the date the financial statements were available to be issued. See Note 12 for subsequent events requiring disclosure.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 2. Revenue from Exchange Transactions

Total revenue recognized at a point in time and over time is as follows for the years ending December 31:

	2019	2018
Revenue recognized at a point in time	\$ 4,006,800	\$ 3,822,521
Revenue recognized over time	8,110,444	7,951,686
	<u>\$ 12,117,244</u>	<u>\$ 11,774,207</u>

USA Softball's accounts receivable and deferred revenue balances from contracts with customers are summarized as follows at December 31:

	2019	2018	2017
Accounts receivable, net	\$ 518,338	\$ 564,265	\$ 696,553
Deferred revenue	359,559	471,713	345,661

Accounts receivable are recorded net of an allowance for doubtful accounts of \$-0- and \$45,000 at December 31, 2019 and 2018, respectively.

USA Softball's losses (recoveries) on accounts receivable due from customers totaled (\$16,378) in 2019 and \$45,467 in 2018.

Note 3. Property, Equipment, and Leasehold Improvements

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

	Useful Lives	2019	2018
Stadium leasehold improvements	5-40 years	\$ 6,772,249	\$ 6,883,114
Buildings, signs and grounds (leasehold improvements)	7-40 years	1,878,878	1,855,374
Hall of Fame interior	7-10 years	336,380	328,919
Furniture and office equipment	3-10 years	1,588,235	1,547,369
Statue and plaza	10-15 years	114,970	114,970
		<u>10,690,712</u>	<u>10,729,746</u>
Accumulated depreciation		<u>(7,077,383)</u>	<u>(6,928,269)</u>
		<u>\$ 3,613,329</u>	<u>\$ 3,801,477</u>

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.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 4. 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. USA Softball, Inc. unrelated business income tax expense of approximately \$24,000 and \$15,000 for the years ended December 31, 2019 and 2018, respectively, is included in general and administrative expenses in the consolidated statements of activities. Income tax expense reported by ASAP for the years ended December 31, 2019 and 2018, was approximately \$54,000 and \$70,000, respectively, and is also included in general and administrative expenses.

Note 5. 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 may vary from year to year. Although employer contributions are not defined in the Profit Sharing Plan, management currently anticipates they will utilize an 8% contribution rate. Benefits of the Profit Sharing Plan are limited to the plan assets. Profit sharing expense for the years ended December 31, 2019 and 2018 was approximately \$108,000 and \$130,000, respectively. No employee matching is required.

Note 6. Commitments and Contingencies

USA Softball is periodically involved in various legal actions arising in the normal course of business. After taking into consideration available insurance coverage and other relevant information, management is of the opinion that the outcomes will not have a significant effect on USA Softball's financial position or results of operations.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 7. Liquidity and Funds Available

Financial assets available to meet cash needs for general expenditures within one year are summarized as follows at December 31:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 4,309,180	\$ 4,396,322
Restricted cash	50,000	-
Accounts receivable	518,338	564,265
Inventory	892,321	1,056,619
Investment	219,604	189,833
Beneficial interest in assets held by others	230,873	192,283
Total financial assets	<u>6,220,316</u>	<u>6,399,322</u>
Less amounts not available to be used within one year:		
Cash restricted for capital improvements of the Complex	50,000	-
Investment restricted for future periods	-	177,833
Board designated endowment not available for expenditure within one year	219,329	182,669
Financial assets not available to be used within one year	<u>269,329</u>	<u>360,502</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,950,987</u>	<u>\$ 6,038,820</u>

As part of USA Softball's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8. Net Asset Composition

Net assets consist of the following at December 31:

	2019	2018
Net assets with donor restrictions		
Purpose or time restrictions:		
Special programs	\$ 17,202	\$ -
Stand Beside Her tour	1,762	-
Total purpose or time restrictions	<u>18,964</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 18,964</u>	<u>\$ -</u>
Net assets without donor restrictions:		
Designated for National Teams endowment	\$ 230,873	\$ 192,283
Undesignated	8,993,156	9,121,024
Total net assets without donor restrictions	<u>\$ 9,224,029</u>	<u>\$ 9,313,307</u>

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 9. Beneficial Interest in Assets Held by Others

In 2018, USA Softball transferred \$200,000 to the Oklahoma City Community Foundation, Inc. (OCCF), to create four funds, and specified itself as the beneficiary of the funds. USA Softball's Board of Directors has specified that these funds are to be held at OCCF, to function as a board designated endowment to support each of the four USA Softball National Teams. Annually, distributions from the funds are paid to USA Softball according to OCCF's spending policy. OCCF maintains variance power over these funds.

Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. OCCF also maintains legal ownership of the funds.

In 2019 and 2018, USA Softball received distributions from these funds totaling \$7,041 and \$-0-, respectively, and made transfers to these funds of \$7,041 and \$200,000, respectively. At December 31, 2019 and 2018, the fair value of the funds held at OCCF was \$230,873 and \$192,283, respectively.

In addition to the funds discussed above, OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of USA Softball. These funds are not included as assets of USA Softball, as USA Softball has been designated as the recipient of all earnings of the donated funds, and are subject to the investment and distribution policies of OCCF. At December 31, 2019 and 2018, the fair value of the funds originally donated by third parties was approximately \$29,000 and \$7,000, respectively.

Note 10. Endowment Disclosures

In 2018, USA Softball created an endowment which consists of the beneficial interest in assets held by OCCF as discussed in Note 9. This endowment was created through funds designated by the Board of Directors to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors of USA Softball has interpreted the State Prudent Management of Institutional Funds Act (OK UPMIFA) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, USA Softball classifies as net assets with donor restrictions which are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, USA Softball considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of USA Softball and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of USA Softball; and
- The investment policies of USA Softball.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 10. Endowment Disclosures (Continued)

Endowment net asset composition by type of fund as of December 31, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 230,873	\$ -	\$ 230,873
Total endowment funds	<u>\$ 230,873</u>	<u>\$ -</u>	<u>\$ 230,873</u>

Endowment net asset composition by type of fund as of December 31, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 192,283	\$ -	\$ 192,283
Total endowment funds	<u>\$ 192,283</u>	<u>\$ -</u>	<u>\$ 192,283</u>

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 192,283	\$ -	\$ 192,283
Change in value of beneficial interest	38,590	-	38,590
Board designations	7,041	-	7,041
Appropriated for expenditure	(7,041)	-	(7,041)
Endowment net assets, end of year	<u>\$ 230,873</u>	<u>\$ -</u>	<u>\$ 230,873</u>

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Change in value of beneficial interest	(7,717)	-	(7,717)
Board designations	200,000	-	200,000
Endowment net assets, end of year	<u>\$ 192,283</u>	<u>\$ -</u>	<u>\$ 192,283</u>

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 10. Endowment Disclosures (Continued)

Return objectives and risk parameters: USA Softball has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested with OCCF whose investment policies emphasize preservation of capital, protection against inflation and a continuing source of income.

Spending policy and how the investment objectives relate to spending policy: OCCF's distribution policy to beneficiary organizations is 5% of the average market value of the endowment fund, which is calculated on a rolling quarter average of the previous twelve quarters. USA Softball has evaluated the investment and spending policies of OCCF to determine that they sufficiently protect the purchasing power of the endowment, and appropriates distributions received from OCCF to be available for use in specific programs.

Note 11. Fair Value Measurements

The methods and assumptions used to estimate the fair value of assets in the financial statements, including a description of the methodologies used for classification within the fair value hierarchy, are as follows:

Investment: The investment is one mutual fund valued by nationally recognized third-party pricing services. USA Softball gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis and USA Softball classifies such measurements as Level 1 within the fair value hierarchy.

Beneficial interest in assets held by others: Beneficial interest in assets held by others are primarily pooled investment funds held and managed by OCCF, which USA Softball does not have the ability to redeem. Based on the methodology of determining fair value of beneficial interest in assets held by others and the non-redeemable nature of the assets, they are categorized as Level 3 within the fair value hierarchy.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investment - Growth mutual fund	\$ 219,604	\$ -	\$ -	\$ 219,604
Beneficial interest in assets held by others	-	-	230,873	230,873
Total assets measured at fair value	<u>\$ 219,604</u>	<u>\$ 219,604</u>	<u>\$ 230,873</u>	<u>\$ 450,477</u>

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investment - Growth mutual fund	\$ 189,833	\$ -	\$ -	\$ 189,833
Beneficial interest in assets held by others	-	-	192,283	192,283
Total assets measured at fair value	<u>\$ 189,833</u>	<u>\$ -</u>	<u>\$ 192,283</u>	<u>\$ 382,116</u>

USA Softball's Level 3 asset, beneficial interest in assets held by others, had additions (purchases) of \$7,041 and \$200,000 and distributions (issuances) of \$7,041 and \$-0- in 2019 and 2018, respectively.

The following table summarizes the valuation techniques and significant unobservable inputs used for USA Softball's financial instruments categorized within Level 3 of the fair value hierarchy.

Investment Type	Fair Value at		Valuation Techniques	Unobservable Input (b)	Range of Inputs	
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018
Beneficial interest in assets held by others	<u>\$ 230,873</u>	<u>\$ 192,283</u>	Discounted cash flows	Market risk discount (a)	0%	0%

(a) Represents amounts used when USA Softball has determined that market participants would take into account these discounts when pricing the asset or liability.

(b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

USA Softball, Inc. and Subsidiary

Notes to Financial Statements

Note 12. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which USA Softball operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to USA Softball. To date, USA Softball is experiencing an approximate 45% decline in revenues year over year and a slight delay in collection of outstanding receivables. Several revenue generating tournaments scheduled for 2020, including the Women’s College World Series, were canceled. Additionally, it is reasonably possible that estimates made in the financial statements related to credit losses on receivables may be materially and adversely impacted in the near term as a result of these conditions, and that revenue in subsequent periods could be negatively impacted.

On April 13, 2020, USA Softball received loan proceeds in the amount of \$403,900 under the Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgivable portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. USA Softball intends to use the proceeds for purposes consistent with the PPP. While USA Softball currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that management will not take actions that could cause USA Softball to be ineligible for forgiveness of the loan, in whole or in part.

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Revenues, Gains and Other Support, Budget and Actual
Year Ended December 31, 2019

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Program support:			
Registrations and assessments:			
Registrations	\$ 6,010,500	\$ 5,438,759	\$ (571,741)
Clinics and schools	562,000	554,825	(7,175)
Tournament assessments	860,405	635,415	(224,990)
	<u>7,432,905</u>	<u>6,628,999</u>	<u>(803,906)</u>
Sponsorships and royalty revenue	<u>2,073,276</u>	<u>2,355,768</u>	<u>282,492</u>
Hall of Fame Stadium operations	<u>186,895</u>	<u>591,837</u>	<u>404,942</u>
National Council meeting revenue:			
Booths at annual meetings	25,000	20,300	(4,700)
Sponsorship for National Council meeting	45,000	39,543	(5,457)
Member registration	60,000	61,400	1,400
	<u>130,000</u>	<u>121,243</u>	<u>(8,757)</u>
Umpire merchandise sales:			
Sales of merchandise	1,352,500	1,253,434	(99,066)
Postage and handling	160,000	141,596	(18,404)
	<u>1,512,500</u>	<u>1,395,030</u>	<u>(117,470)</u>
Concession and other merchandise sales:			
Concession sales	385,000	353,443	(31,557)
Merchandise sales	437,174	637,280	200,106
Shipping income	15,000	11,487	(3,513)
Official guide and rule book	10,000	9,725	(275)
Training aids and merchandise	12,000	12,432	432
	<u>859,174</u>	<u>1,024,367</u>	<u>165,193</u>
Total program support	<u>12,194,750</u>	<u>12,117,244</u>	<u>(77,506)</u>
Contribution revenue	387,000	622,435	235,435
Investment return	500	39,624	39,124
Change in beneficial interest held by others	-	38,590	38,590
Gain on termination of annuity agreement	-	74,568	74,568
Other income	3,000	6,860	3,860
Total revenues, gains and other support	<u>\$ 12,582,250</u>	<u>\$ 12,892,461</u>	<u>\$ 310,211</u>

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Expenses, Budget and Actual
Year Ended December 31, 2019

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Program services:			
Advertising and promotion	\$ 160,000	\$ 217,751	\$ (57,751)
Camps and clinics	630,000	566,658	63,342
Contract services	465,400	330,844	134,556
Cost of merchandise sold	343,000	392,353	(49,353)
Depreciation	-	227,563	(227,563)
Events	-	18,708	(18,708)
Grants	-	16,481	(16,481)
Insurance	3,145,000	2,912,147	232,853
Maintenance costs	142,100	128,640	13,460
Meetings	146,000	193,103	(47,103)
Memberships, dues, and subscriptions	560,000	486,334	73,666
National team tournament costs	465,000	572,617	(107,617)
Other	30,400	6,078	24,322
Personnel services	1,964,118	1,443,480	520,638
Postage and freight	193,000	169,305	23,695
Publications and printing:			
Printing and binding	278,000	246,604	31,396
Balls and Strikes Magazine	5,000	9,298	(4,298)
Other	40,000	53,940	(13,940)
	<u>323,000</u>	<u>309,842</u>	<u>13,158</u>
Tournament fees and awards	<u>530,000</u>	<u>1,232,338</u>	<u>(702,338)</u>
Travel and accommodations:			
Athlete and team	860,000	944,269	(84,269)
Other	489,000	415,267	73,733
	<u>1,349,000</u>	<u>1,359,536</u>	<u>(10,536)</u>
Utilities	<u>97,000</u>	<u>97,671</u>	<u>(671)</u>
Total program expenses	<u>\$ 10,543,018</u>	<u>\$ 10,681,449</u>	<u>\$ (138,431)</u>

(Continued)

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Expenses, Budget and Actual (Continued)

Year Ended December 31, 2019

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Umpire merchandise and related expenses:			
Cost of merchandise sold	\$ 700,000	\$ 631,201	\$ 68,799
Other:			
Income tax expense	60,000	53,662	6,338
Other	2,000	1,557	443
	<u>62,000</u>	<u>55,219</u>	<u>6,781</u>
Personnel services	150,000	272,035	(122,035)
Postage and freight:			
Shipping supplies	10,000	10,455	(455)
Freight/postage	154,000	130,500	23,500
	<u>164,000</u>	<u>140,955</u>	<u>23,045</u>
Total umpire merchandise and related expenses	<u>1,076,000</u>	<u>1,099,410</u>	<u>6,416</u>
General and administrative expenses:			
Contract services	299,000	304,533	(5,533)
Depreciation	-	106,551	(106,551)
Insurance	59,000	68,276	(9,276)
Maintenance costs:			
Office equipment maintenance	6,000	4,863	1,137
Computer maintenance	35,000	45,455	(10,455)
Grounds/buildings maintenance	10,000	4,029	5,971
	<u>51,000</u>	<u>54,347</u>	<u>(3,347)</u>
Other:			
Telephone	72,000	52,384	19,616
Office supplies	35,000	24,966	10,034
UBIT, state and miscellaneous taxes	10,000	23,546	(13,546)
Bad-debt expenses	6,000	(16,378)	22,378
Bank service charges	40,000	43,695	(3,695)
Credit card services charges	25,000	23,011	1,989
	<u>188,000</u>	<u>151,224</u>	<u>36,776</u>
Personnel services	416,500	462,389	(45,889)
Utilities	39,000	24,008	14,992
Total general and administrative expenses	<u>\$ 1,052,500</u>	<u>\$ 1,171,328</u>	<u>\$ (118,828)</u>

(Continued)

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Expenses, Budget and Actual (Continued)

Year Ended December 31, 2019

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Fundraising:			
Events	\$ -	\$ 17,448	\$ (17,448)
Total fundraising expense	-	17,448	(17,448)
Total expenses	\$ 12,671,518	\$ 12,969,635	\$ (268,291)