

**USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION**

**Consolidated Financial Statements
& Supplemental Schedules**

For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Volleyball
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of USA Volleyball and USA Volleyball Foundation (non-profit organizations), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' 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 audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of USA Volleyball and USA Volleyball Foundation as of December 31, 2016 and 2015, 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.

Correction of Error

As described in Note M to the financial statements, a certain error, resulting in an understatement of net assets as of December 31, 2015, was discovered by management of the Corporation during the current year. Accordingly, amounts reported for cash, investments, restricted cash and investments, support, and expenses have been restated in the 2015 financial statements now presented, and an adjustment has been made to net assets as of January 1, 2015, to correct the cumulative error from previous periods.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 18 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
April 19, 2017

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,169,117	\$ 4,727,117
Accounts receivable, net	2,189,411	2,858,805
Inventory	158,024	131,634
Prepaid expenses	<u>611,033</u>	<u>1,160,127</u>
Total current assets	7,127,585	8,877,683
LONG-TERM INVESTMENTS	3,156,393	3,071,090
RESTRICTED CASH AND INVESTMENTS	301,324	286,115
PROPERTY AND EQUIPMENT, at cost:		
Land	471,118	471,118
Building and improvements	3,957,117	3,799,838
Office furniture	547,698	396,078
Office equipment	704,454	690,493
Program equipment	2,108,859	2,041,859
Less accumulated depreciation	<u>(3,536,499)</u>	<u>(3,081,687)</u>
Property and equipment - net	<u>4,252,747</u>	<u>4,317,699</u>
TOTAL ASSETS	<u>\$ 14,838,049</u>	<u>\$ 16,552,587</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,217,018	\$ 1,106,396
Accrued liabilities	584,999	516,853
Regional insurance fund	1,007,839	949,418
Deferred revenue	<u>5,237,158</u>	<u>5,636,150</u>
Total current liabilities	8,047,014	8,208,817
NET ASSETS:		
Unrestricted	6,465,224	8,033,168
Temporarily restricted	<u>325,811</u>	<u>310,602</u>
Total net assets	<u>6,791,035</u>	<u>8,343,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,838,049</u>	<u>\$ 16,552,587</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016
(With Consolidated Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Consolidated Totals</u>	<u>2015 Consolidated Totals</u>
SUPPORT AND REVENUE:				
Program & event participation fees	\$ 9,452,984	\$	\$ 9,452,984	\$ 8,630,496
Membership & insurance	6,873,332		6,873,332	6,704,030
Sponsorship, rights & donations, including value in kind	4,042,775		4,042,775	4,015,492
Tickets, subscriptions & other sales	2,635,732		2,635,732	3,136,774
USOC grants, including value in kind	2,175,095		2,175,095	2,028,859
Other programs	1,351,747		1,351,747	1,793,651
Housing royalties	1,211,980		1,211,980	1,294,924
Product and ball sales, less direct costs of \$18,262 and \$95,785	752,551		752,551	760,898
Host incentives	679,901		679,901	560,790
Grants & contributions	106,182	30,799	136,981	244,444
Fundraising events				20,470
Investment income	96,912	6,443	103,355	(63,745)
Satisfied program restrictions	<u>22,033</u>	<u>(22,033)</u>		
Total support and revenue	29,401,224	15,209	29,416,433	29,127,083
EXPENSES:				
Program services:				
National teams	7,319,592		7,319,592	7,187,338
Domestic events	6,504,928		6,504,928	6,084,286
High performance development	4,027,346		4,027,346	3,995,755
International events & programs	3,842,336		3,842,336	3,784,820
Region services	<u>3,551,960</u>		<u>3,551,960</u>	<u>3,681,830</u>
Total program services	25,246,162		25,246,162	24,734,029
Supporting services:				
National headquarters	2,943,220		2,943,220	2,800,355
Sponsorship, marketing & public relations	1,966,966		1,966,966	1,737,590
Governance	621,836		621,836	429,655
Fundraising	<u>190,984</u>		<u>190,984</u>	<u>159,050</u>
Total supporting services	<u>5,723,006</u>		<u>5,723,006</u>	<u>5,126,650</u>
Total expenses	<u>30,969,168</u>		<u>30,969,168</u>	<u>29,860,679</u>
CHANGE IN NET ASSETS	(1,567,944)	15,209	(1,552,735)	(733,596)
NET ASSETS, beginning of year, as restated	<u>8,033,168</u>	<u>310,602</u>	<u>8,343,770</u>	<u>9,077,366</u>
NET ASSETS, end of year	<u>\$ 6,465,224</u>	<u>\$ 325,811</u>	<u>\$ 6,791,035</u>	<u>\$ 8,343,770</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	2015 Consolidated Totals
SUPPORT AND REVENUE:			
Program & event participation fees	\$ 8,630,496	\$	\$ 8,630,496
Membership & insurance	6,704,030		6,704,030
Sponsorship, rights & donations, including value in kind	4,015,492		4,015,492
Tickets, subscriptions & other sales	3,136,774		3,136,774
USOC grants, including value in kind	2,028,859		2,028,859
Other programs	1,793,651		1,793,651
Housing royalties	1,294,924		1,294,924
Product and ball sales less direct costs of \$95,785	760,898		760,898
Host incentives	560,790		560,790
Grants & contributions	182,643	61,801	244,444
Fundraising events	20,470		20,470
Investment loss	(55,624)	(8,121)	(63,745)
Satisfied program restrictions	14,117	(14,117)	
Total support and revenue	29,087,520	39,563	29,127,083
EXPENSES:			
Program services:			
National teams	7,187,338		7,187,338
Domestic events	6,084,286		6,084,286
International events & programs	3,995,755		3,995,755
High performance development	3,784,820		3,784,820
Region services	3,681,830		3,681,830
Total program services	24,734,029		24,734,029
Supporting services:			
National headquarters	2,800,355		2,800,355
Sponsorship, marketing & public relations	1,737,590		1,737,590
Governance	429,655		429,655
Fundraising	159,050		159,050
Total supporting services	5,126,650		5,126,650
Total expenses	29,860,679		29,860,679
CHANGE IN NET ASSETS	(773,159)	39,563	(733,596)
Net assets, beginning of year:			
As previously reported	5,355,647	24,487	5,380,134
Adjustment for consolidation of USA Volleyball Foundation	3,450,680	246,552	3,697,232
NET ASSETS, beginning of year, as restated	8,806,327	271,039	9,077,366
NET ASSETS, end of year	\$ 8,033,168	\$ 310,602	\$ 8,343,770

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,552,735)	\$ (733,596)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	454,814	452,223
(Increase) decrease in operating assets:		
Accounts receivable, net	669,394	(103,402)
Pledges receivable		50,000
Prepaid expenses	549,094	(563,944)
Inventory	(26,392)	10,251
Increase (decrease) in operating liabilities:		
Accounts payable	110,622	(217,786)
Accrued liabilities	68,146	24,673
Regional insurance fund	58,421	133,500
Deferred revenue	(398,992)	594,925
Total adjustments	<u>1,485,107</u>	<u>380,440</u>
Net cash used by operating activities	(67,628)	(353,156)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross proceeds from sale of long-term investments	9,829,519	2,983,797
Gross purchases of long-term investments	(9,914,822)	(2,501,981)
Decrease in restricted cash and investments	(15,209)	(39,566)
Acquisition of property and equipment	(389,860)	(256,653)
Net cash provided (used) by investing activities	<u>(490,372)</u>	<u>185,597</u>
NET DECREASE IN CASH	(558,000)	(167,559)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,727,117</u>	<u>4,894,676</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,169,117</u>	<u>\$ 4,727,117</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2016 and 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizations

USA Volleyball (the Corporation), is a nonprofit corporation organized in 1928 and originally incorporated in the State of California in 1970, and re-incorporated in the State of Colorado in 2010. Effective December 31, 2010, the two corporations merged and the Colorado Corporation became the surviving entity. The principal purposes of the Corporation are to foster and conduct area, regional, state and national amateur instructional beach volleyball, indoor volleyball and sitting volleyball programs and to represent the beach volleyball, indoor volleyball and sitting volleyball interests of the nation to the United States Olympic Committee (USOC), to the Federation Internationale de Volleyball (FIVB) and to the World ParaVolley.

The Corporation is the National Governing Body of the sports of beach volleyball, indoor volleyball and sitting volleyball. The Corporation recognizes and sets general policy for Regional Volleyball Associations (RVAs). These RVAs are separate legal entities whose operations are controlled by their own elected boards.

USA Volleyball Foundation (the Foundation) was incorporated as a nonprofit corporation in the State of Colorado on July 18, 1996. The purpose of the Foundation is to raise funds and acquire assets in order to encourage, improve and promote volleyball in the United States by providing financial support to the Corporation and the RVAs.

During the year ended December 31, 2016, it was determined that the Corporation has a controlling financial interest over the Foundation, based on its organizational structure. According to ASC 958-810-25-2, a controlling financial interest over a related (but separate) non-profit entity through sole-corporate membership requires consolidation. Refer to Note M for a discussion on the prior period adjustment that was required as a result of previously unconsolidated financial statements. The entities are collectively referred to as the Organizations.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on internal records and estimates made by the Organizations' management.

Income Taxes

The Corporation and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, they are not subject to federal income tax on income related to their exempt purpose. Accordingly, no income tax provisions have been recorded.

The Corporation and Foundation's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date filed. Management of the Organizations believe that they do not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Organizations' checking, savings and petty cash accounts. The Organizations maintain their cash and cash equivalents primarily at commercial banks. In the event of a bank failure, the Organizations might only be able to recover the amounts insured.

Supplemental Cash Flow Information

During the years ended December 31, 2016 and 2015, the Organizations paid interest of \$13,722 and \$11, respectively. The Organizations paid no income taxes.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. An allowance for doubtful accounts in the amount of \$346,549 and \$190,358 is recorded at December 31, 2016 and 2015, respectively.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method. The inventory consists of promotional and educational items for give-a-ways and e-commerce.

Prepaid Expenses and Deferred Charges

Event expenses paid for in a fiscal year prior to the occurrence of a scheduled event are deferred and recognized as expenses in the fiscal year in which such events occur.

Property and Equipment

Property and equipment consist of assets used in the operations of the Corporation. The Corporation capitalizes items that have a useful life greater than one year and exceed \$5,000 in cost. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation.

Depreciation is recorded using the straight-line method over an estimated life as follows:

	<u>Years</u>
Equipment	3-10
Furniture	5-10
Building improvements	10
Building	30

Depreciation expense was \$454,814 and \$452,223 for the years ended December 31, 2016 and 2015, respectively.

Compensated Absences

The Corporation has accrued amounts for accumulated compensated absences of employees. At December 31, 2016 and 2015, the balances of this accrual were \$241,153 and \$253,778, respectively.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind Revenue

Sponsorship income in the form of in-kind goods such as clothing and volleyballs are reported as revenue and expense in the fiscal year they are received.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

Date of Management's Review

In preparing the financial statements, Management of the Organizations has evaluated events and transactions for potential recognition or disclosure through April 19, 2017, the date the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Organizations apply Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organizations have the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Notes to Consolidated Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in investments	\$ 200,464	\$	\$	\$ 200,464
Mutual funds	3,256,603			3,256,603
USAVP stock			650	650
Total	<u>\$3,457,067</u>	<u>\$</u>	<u>\$ 650</u>	<u>\$3,457,717</u>

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in investments	\$ 46,703	\$	\$	\$ 46,703
Equity securities	1,161,766			1,161,766
Mutual funds	1,992,353			1,992,353
Fixed income	155,733			155,733
USAVP stock			650	650
Total	<u>\$3,356,555</u>	<u>\$</u>	<u>\$ 650</u>	<u>\$3,357,205</u>

USAVP Stock, a Level 3 input, had no activity during the years ended December 31, 2016 and 2015.

Investment income (loss) is recorded in the accompanying statement of activities and consists of the following for the years ended December, 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 81,969	\$ 94,471
Realized gains (losses) on investments	(260)	51,500
Unrealized gains (losses)	<u>21,646</u>	<u>(209,616)</u>
Investment income (loss)	<u>\$ 103,355</u>	<u>\$ (63,745)</u>

Notes to Consolidated Financial Statements

C. DEFERRED REVENUE

Deferred revenue includes registration fees, deferred awards, and other fees from RVAs received in advance of the year in which they should be recognized.

At December 31, 2016 and 2015, deferred revenue consists of the following:

	<u>2016</u>	<u>2015</u>
Region registrations	\$ 4,265,907	\$ 4,190,997
Tryout registrations	737,075	4,800
Event fees	135,756	1,070,124
Host city funding	70,000	71,642
Officials renewal fees	22,590	32,400
Other	3,590	241,620
Clinic and seminar fees	<u>2,240</u>	<u>24,567</u>
	<u>\$ 5,237,158</u>	<u>\$ 5,636,150</u>

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Education	\$ 89,582	\$ 87,392
Orange County Youth Development	50,435	49,392
Sitting Teams - Foundation	47,641	33,199
Women's National Team	31,191	36,793
Boy's Youth National Team	28,605	27,986
Men's Sitting Team - Corporation	24,487	24,487
Men's National Team	17,440	16,736
Women's Youth National Team	13,714	13,420
Men's Junior National Team	10,469	10,239
Women's Junior National Team	7,085	6,933
Koorhan Memorial Fund	2,927	2,864
Beach programs	<u>2,235</u>	<u>1,200</u>
	<u>\$ 325,811</u>	<u>\$ 310,602</u>

Notes to Consolidated Financial Statements

D. TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2016 and 2015, the following net assets were released from restrictions:

	<u>2016</u>	<u>2015</u>
Women's Youth National Team	\$ 13,821	\$
Women's National Team	8,212	
Other programs		11,367
Disabled Men's Standing		2,750
	<u>\$ 22,033</u>	<u>\$ 14,117</u>

E. RELATED PARTIES

During the years ended December 31, 2016 and 2015, the USOC provided grants to the Corporation under the following project categories:

	<u>2016</u>	<u>2015</u>
NGB funding	\$ 1,280,000	\$ 1,045,000
Rights fees	300,000	300,000
Other grants	282,095	370,859
Paralympic grants	230,300	230,300
International relations	8,000	8,000
	<u>\$ 2,100,395</u>	<u>\$ 1,954,159</u>

As part of the Corporation's agreement with the USOC, stipends are paid directly to athletes in the following categories:

	<u>2016</u>	<u>2015</u>
Beach	\$ 450,000	\$ 450,000
Indoor	450,000	450,000
Paralympic	96,000	96,000
	<u>\$ 996,000</u>	<u>\$ 996,000</u>

In addition to the amounts above, the USOC provided additional funding in the form of United Airlines value-in-kind, in the amount of \$74,700, for both the years ended December 31, 2016 and 2015, respectively.

The Corporation is economically dependent upon grants from the USOC in order to maintain its programs at current levels.

Notes to Consolidated Financial Statements

F. INTERCOMPANY TRANSACTIONS

The Corporation receives grants from the Foundation and allocates certain expenses to the Foundation. These intercompany transactions and the amounts owed to/from the Organizations have been eliminated in the consolidated financial statements.

G. RETIREMENT PLAN

The Corporation has a 403(b) retirement plan available to all eligible personnel. The plan enables employees to make contributions on either a tax deferred salary reduction basis or an after tax basis if the Roth provision is elected, of a percentage of their compensation. The Corporation matches contributions up to 8% of base compensation for employees who have made a voluntary contribution and have completed ninety days of employment. Employee contributions are immediately vested. Employer contributions are fully vested on the first day of the month following completion of two years of employment. Employer contributions under this plan were \$336,839 and \$299,698 for the years ended December 31, 2016 and 2015, respectively.

H. COMMITMENTS AND CONTINGENCIES

The Corporation has entered into annual agreements with its players that call for monthly stipends to the players in exchange for their participation on the Corporation's volleyball teams. These monthly stipends conform to USOC guidelines and policies. In addition to support payments paid to athletes directly by the USOC as discussed in Note E, for the years ended December 31, 2016 and 2015, the monthly stipends paid by the Corporation amounted to \$312,721 and \$543,844, respectively.

The Corporation also provides athlete transition funding for vested athletes who separate from the national teams. Athletes become vested after four years of eligible participation. The Corporation has accrued \$457,700 and \$410,700 at December 31, 2016 and 2015, respectively, to pay these obligations. The Corporation incurred \$280,250 and \$63,200 of athlete transition funding expense for the years ended December 31, 2016 and 2015, respectively.

Notes to Consolidated Financial Statements

I. LEASES

The Corporation leases office space in Torrance, California, under an operating lease that started on November 1, 2013, and continues through February 28, 2021. In July, 2015, the lease was amended to include additional space. Under the amended terms, this lease requires monthly payments of \$9,766 through October, 2016, and increases each year in November according to the amended lease payment schedule.

The Corporation leases warehouse space in Colorado Springs under an operating lease commencing October 1, 2013 and continuing through September 30, 2023. This lease requires monthly payments of \$5,250 and increases each year according to the lease payment schedule. During 2015, the Corporation leased additional warehouse space commencing July 1, 2015, and continuing through September 30, 2023. This lease requires monthly payments of \$2,290 and increases each year according to the lease payment schedule.

The Corporation also sub-leases office space in Anaheim, California, under an operating lease through December 31, 2020. Initial base rent under this agreement is \$15,946 per month, with annual increases of 4%.

The Corporation leased residential space for members of the national teams under a rental agreement commencing June 1, 2009 and continuing for a period of seven years, expiring December 31, 2016. The agreement required monthly payments of \$11,642 through December 2016. This lease was fully reimbursed by the City of Anaheim; it was not renewed upon expiration.

Also, the Corporation has seven vehicle leases.

Future minimum payments under all of the above operating leases are as follows:

2017	\$	415,146
2018		424,771
2019		439,503
2020		454,760
Future years		333,286

The Corporation leases a portion of its national headquarters to other national governing bodies for office space. The Corporation charges these entities rent equal to their pro-rata share of the building operating expenses.

Notes to Consolidated Financial Statements

J. AFFILIATES

The Corporation has trade receivables of \$22,348 and \$12,458 due from affiliates and RVAs at December 31, 2016 and 2015, respectively. The Corporation has trade accounts payable of \$3,360 and \$4,470 and Regional Insurance Fund payable of \$1,007,839 and \$949,418 due to RVAs as of December 31, 2016 and 2015, respectively.

K. LINE OF CREDIT

During the year ended December 31, 2011, the Corporation entered into an agreement to obtain a line of credit. The credit available to the Corporation is \$2,202,352. There was no outstanding balance at December 31, 2016 and 2015. The line of credit carries an interest rate of 4.00% on outstanding balances until December 1, 2021, when it will change to 4.75%, and has a maturity date of December 1, 2026. The maximum principal available on this line of credit is reduced by \$169,412 each year beginning on December 9, 2013. The line of credit stipulates that the Corporation must occupy at least 51% of the office property and maintain a minimum tangible net worth of \$1,000,000. The minimum tangible net worth requirement will increase by \$100,000 on December 1 of each year, beginning on December 1, 2017.

The Corporation's building is subject to a deed of trust dated December 9, 2011. The Corporation's business assets are components of the Corporation's borrowing base calculation, which governs the availability of future advances on the line of credit.

The Corporation's business assets are subject to a UCC filing lien related to this line of credit as prescribed by the commercial security agreement dated December 9, 2011.

L. DEFERRED COMPENSATION

The Corporation had a deferred compensation plan under section 457 of the Internal Revenue Service code covering its former Chief Executive Officer as of December 31, 2016. The assets of the plan were held in a custodial account for the benefit of the participant. The deferred compensation was paid to the participant subsequent to December 31, 2016.

Notes to Consolidated Financial Statements

M. PRIOR PERIOD ADJUSTMENT

Net assets were understated by \$3,697,232, as of January 1, 2015, due to the fact that the Corporation had not consolidated the Foundation's financial statements with its own. The consolidation of the 2015 Foundation financial statements, as presented herein, resulted in the following impact on financial statement elements compared to previously reported amounts for 2015:

Assets

Cash and cash equivalents	\$	69,751
Account receivable, net		(24,509)
Other accounts receivable		6,012
Investments		2,994,649
Restricted cash		286,115

Net Assets

Unrestricted net assets		3,070,412
Temporarily restricted net assets		286,115

Support and Revenue

Contributions and grants		109,621
Fundraising events		20,470
Investment income		(76,767)
USAVF grants		(360,550)

Expenses

Management and general		57,988
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The correction has been recorded according to GAAP. Had the error not occurred, the change in unrestricted net assets for the year ended December 31, 2015, would have been decreased by \$404,777 and the change in temporarily restricted net assets would have increased by \$39,563 in the previously issued financial statements.

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Schedule of Program Services
For the Year Ended December 31, 2016

	National Teams	Domestic Events	High Performance Development	International Events & Programs	Region Services	Total
Athlete prize money	\$ 254,045		\$ 40,000	\$ 405		\$ 294,450
Athlete support	312,721					312,721
Athlete transition	280,250					280,250
Awards		93,142	3,532	7,163		103,837
Bad debts		79	968		9,626	10,673
Bank and credit card fees	1,455	91,009	77,538	8,317	26,054	204,373
Building maintenance and improvements	9,860					9,860
Computer expense	97,389	72,470	67,018		134,470	371,347
Contract labor	342,204	702,175	705,022	126,332	163,520	2,039,253
Donations					21,950	21,950
Educational expense			28		11,606	11,634
Entry fees	121,620		13,123			134,743
Equipment	36,904	22,748	3,459	19,292		82,403
Equipment rental/maintenance	1,360	147,096	12,121	3,521		164,098
Equipment transportation		145,058	18,626	33,181		196,865
Event personnel and catering	420	128,447	95,715	230,448	930	455,960
Facilities		295,156	54,984	118,326		468,466
Flooring rental		148,626	4,000		5,498	158,124
Grants					71,801	71,801
Host fees	9,166	965,550	1,146,686	686,796	10,975	2,819,173
Housing		181,714	157,803	356,885		696,402
Insurance	32,828	7,337		4,225	1,476,901	1,521,291
Marketing and advertising				1,000		1,000
Medical	52,406	258,522		11,881		322,809
Merchandising	5,356	18,845		1,300		25,501
Miscellaneous	30,294	13,298	6,988	102,638	58,613	211,831
Officials fees	1,888	1,192,314	132,645	25,260	33,443	1,385,550
Officials training and rating team					68,792	68,792
Olympic advantage	22,428					22,428
Olympic tickets				350,548		350,548
Outreach		2,000		8,256	29,456	39,712
Passports and visas	32,794		45			32,839
Payroll, benefits and taxes	2,811,001	611,944	584,010	45,565	1,019,756	5,072,276
Photography	2,250			12,500		14,750
Postage, shipping and drayage	9,748	66,886	28,528	8,889	13,301	127,352
Printing and copies	7,651	70,209	9,341	17,268	7,596	112,065
Professional fees	101	1,375			130,107	131,583
Professional training and education	13,409	795			694	14,898
Promotions and gifts	25,135	60,295	10,153	61,518	87,944	245,045
Purchases - apparel/lettering	12,290	56,440	127,751	21,527	1,663	219,671
Reimbursable expenses	275,805					275,805
Rent and janitorial	259,771	98,364				358,135
Security		144,772	1,440	1,875		148,087
Sport science	96,889		150			97,039
Supplies	19,184	17,598	24,592	8,487	1,341	71,202
Telephone	19,593	6,478	5,844	6,166	7,082	45,163
Television and webcasting		14,010	450	1,037,955		1,052,415
Tournament scheduling		46,088				46,088
Travel, food and lodging	1,337,260	65,050	380,681	485,378	100,629	2,368,998
VIK usage	784,117	759,038	314,105	39,434	58,212	1,954,906
	<u>\$ 7,319,592</u>	<u>\$ 6,504,928</u>	<u>\$ 4,027,346</u>	<u>\$ 3,842,336</u>	<u>\$ 3,551,960</u>	<u>\$ 25,246,162</u>

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Schedule of Supporting Services
For the Year Ended December 31, 2016

	National Headquarters	Sponsorship, Marketing & Public Relations	Governance	Fundraising	Total
Archive project	\$ 308	\$	\$	\$	\$ 308
Assemblies			59,276		59,276
Audiovisual expense			20,026		20,026
Awards			4,639		4,639
Background screening	1,263		473		1,736
Bad debts		187,560			187,560
Bank charges and interest	28,058	7,025	110	737	35,930
Board of directors meetings			29,560		29,560
Catering	211		22,162	10,285	32,658
Committee/commission expense			24,723		24,723
Computer expense	255,650	44,978		3,579	304,207
Contract labor	22,699	13,523	1,012		37,234
Depreciation expense	454,814				454,814
Dues and subscriptions	13,749	180	199	629	14,757
Equipment	90				90
Equipment rental and maintenance	461	5,854	2,417		8,732
Event arbitrators			81,083		81,083
Insurance	145,596			1,438	147,034
Investment management fees	1,250			17,335	18,585
Licensing		15,896			15,896
Marketing and advertising		21,500		1,000	22,500
Miscellaneous expense	23,403	50,985	231	(164)	74,455
Moving and relocation expenses	2,691				2,691
Outreach	11,251				11,251
Payroll, benefits and taxes	1,443,318	771,179		94,041	2,308,538
Personnel hiring				1,065	1,065
Photography and articles		6,840			6,840
Postage and shipping	9,147	244,821	751	425	255,144
Printing and copies	17,766	220,444	1,664	1,543	241,417
Professional fees	166,873	45,858	303,419	9,647	525,797
Professional training/education	8,727	3,134			11,861
Promotion & gifts	27,011	27,735	2,820	12,082	69,648
Property	205,129				205,129
Purchases - apparel/lettering	15	769			784
Sponsor servicing		83,173	1,000		84,173
Supplies	17,593	641	3,778	200	22,212
Telephone	13,345	4,682	1,158	320	19,505
Television and webcasting		148,966			148,966
Travel, food and lodging	72,802	61,223	61,335	36,822	232,182
	<u>\$ 2,943,220</u>	<u>\$ 1,966,966</u>	<u>\$ 621,836</u>	<u>\$ 190,984</u>	<u>\$ 5,723,006</u>

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidating Statement of Financial Position
December 31, 2016

	<u>USA Volleyball</u>	<u>USA Volleyball Foundation</u>	<u>Eliminating Entries</u>	<u>2016 Consolidated Totals</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 4,141,794	\$ 27,323	\$	\$ 4,169,117
Accounts receivable, net	2,186,820	2,591		2,189,411
Due from the USAVF	111,212		(111,212)	
Inventory	158,024			158,024
Prepaid expenses	<u>611,033</u>			<u>611,033</u>
Total current assets	7,208,883	29,914	(111,212)	7,127,585
LONG-TERM INVESTMENTS	101,441	3,054,952		3,156,393
RESTRICTED CASH AND INVESTMENTS		301,324		301,324
PROPERTY AND EQUIPMENT, at cost:				
Land	471,118			471,118
Building and improvements	3,957,117			3,957,117
Office furniture	547,698			547,698
Office equipment	704,454			704,454
Program equipment	2,108,859			2,108,859
Less accumulated depreciation	<u>(3,536,499)</u>			<u>(3,536,499)</u>
Property and equipment - net	4,252,747			4,252,747
TOTAL ASSETS	<u>\$ 11,563,071</u>	<u>\$ 3,386,190</u>	<u>\$ (111,212)</u>	<u>\$ 14,838,049</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 1,217,018	\$ 111,212	\$ (111,212)	\$ 1,217,018
Accrued liabilities	584,999			584,999
Regional insurance fund	1,007,839			1,007,839
Deferred revenue	<u>5,237,158</u>			<u>5,237,158</u>
Total current liabilities	8,047,014	111,212	(111,212)	8,047,014
NET ASSETS:				
Unrestricted	3,491,570	2,973,654		6,465,224
Temporarily restricted	<u>24,487</u>	<u>301,324</u>		<u>325,811</u>
Total net assets	3,516,057	3,274,978		6,791,035
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,563,071</u>	<u>\$ 3,386,190</u>	<u>\$ (111,212)</u>	<u>\$ 14,838,049</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>USA Volleyball</u>	<u>USA Volleyball Foundaton</u>	<u>Eliminating Entries</u>	<u>2016 Consolidated Totals</u>
SUPPORT AND REVENUE:				
Program & event participation fees	\$ 9,452,984	\$	\$	\$ 9,452,984
Membership & insurance	6,873,332			6,873,332
Sponsorship, rights & donations, including value in kind	4,042,775			4,042,775
Tickets, subscriptions & other sales	2,635,402	330		2,635,732
USOC grants, including value in kind	2,175,095			2,175,095
Other programs	1,351,747			1,351,747
Housing royalties	1,211,980			1,211,980
Product and ball sales, less direct costs of \$18,262 and \$95,785	752,551			752,551
Host incentives	679,901			679,901
USAVF grants	173,093		(173,093)	
Grants & contributions	93,165	52,028	(8,212)	136,981
Investment income	10,507	92,848		103,355
Total support and revenue	<u>29,452,532</u>	<u>145,206</u>	<u>(181,305)</u>	<u>29,416,433</u>
EXPENSES:				
Program services:				
National teams	7,316,842	10,962	(8,212)	7,319,592
Domestic events	6,504,928			6,504,928
High performance development	4,027,346			4,027,346
International events & programs	3,842,336			3,842,336
Region services	3,551,660	300		3,551,960
Total program services	<u>25,243,112</u>	<u>11,262</u>	<u>(8,212)</u>	<u>25,246,162</u>
Supporting services:				
National headquarters	2,943,220			2,943,220
Sponsorship, marketing & public relations	1,966,966			1,966,966
Governance	621,836			621,836
Fundraising	173,093	190,984	(173,093)	190,984
Total supporting services	<u>5,705,115</u>	<u>190,984</u>	<u>(173,093)</u>	<u>5,723,006</u>
Total expenses	<u>30,948,227</u>	<u>202,246</u>	<u>(181,305)</u>	<u>30,969,168</u>
CHANGE IN NET ASSETS	(1,495,695)	(57,040)		(1,552,735)
NET ASSETS, beginning of year, as restated	<u>5,011,752</u>	<u>3,332,018</u>		<u>8,343,770</u>
NET ASSETS, end of year	<u>\$ 3,516,057</u>	<u>\$ 3,274,978</u>	<u>\$</u>	<u>\$ 6,791,035</u>

See Notes to Consolidated Financial Statements