

**USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION**

**Consolidated Financial Statements
& Supplemental Schedules**

For the Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2018 and 2017, and the changes in their net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in 2018, USA Volleyball adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position and of activities and changes in net assets are presented for purposes of additional analysis and are 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
March 29, 2019

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,138,376	\$ 5,354,875
Accounts receivable, net	4,434,763	3,332,858
Inventory	123,635	179,222
Deposits	14,500	14,500
Prepaid expenses	<u>1,053,480</u>	<u>713,400</u>
Total current assets	9,764,754	9,594,855
INVESTMENTS	6,530,024	3,235,244
RESTRICTED CASH AND INVESTMENTS	336,495	351,339
PROPERTY AND EQUIPMENT, at cost:		
Land	471,141	471,141
Building and improvements	3,997,611	3,997,611
Office furniture	547,698	547,698
Office equipment	811,777	766,761
Program equipment	2,599,202	2,547,440
Less accumulated depreciation	<u>(4,511,101)</u>	<u>(4,030,027)</u>
Property and equipment, net	<u>3,916,328</u>	<u>4,300,624</u>
TOTAL ASSETS	<u>\$ 20,547,601</u>	<u>\$ 17,482,062</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,506,539	\$ 1,099,034
Accrued liabilities	619,299	356,986
Regional insurance fund	1,059,254	1,048,660
Deferred revenue	<u>6,085,758</u>	<u>5,786,509</u>
Total current liabilities	9,270,850	8,291,189
NET ASSETS:		
Without donor restrictions	10,915,769	8,815,047
With donor restrictions	<u>360,982</u>	<u>375,826</u>
Total net assets	<u>11,276,751</u>	<u>9,190,873</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,547,601</u>	<u>\$ 17,482,062</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, 2018
(With Consolidated Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Consolidated Totals	2017 Consolidated Totals
SUPPORT AND REVENUE:				
Program & event participation fees	\$ 8,620,012	\$	\$ 8,620,012	\$ 9,036,043
Membership & insurance	7,295,783		7,295,783	7,059,625
Sponsorship, rights & donations, including value in kind	5,244,191		5,244,191	4,843,334
Other program support & revenue	2,745,572		2,745,572	1,628,563
Tickets, subscriptions & other sales	2,500,737		2,500,737	2,337,548
USOC grants, including value in kind	2,121,256		2,121,256	2,415,700
Housing royalties	1,596,756		1,596,756	1,492,316
Product sales, less direct costs of \$16,878 and \$58,232	923,289		923,289	844,885
Host incentives	759,463		759,463	507,453
Grants & contributions	63,972	14,555	78,527	94,312
Investment income (loss)	(154,701)	(27,404)	(182,105)	452,567
Satisfied program restrictions	<u>1,995</u>	<u>(1,995)</u>	<u></u>	<u></u>
Total support and revenue	31,718,325	(14,844)	31,703,481	30,712,346
EXPENSES:				
Program services:				
National teams	9,303,050		9,303,050	7,725,057
Domestic events	6,960,212		6,960,212	6,702,558
High performance development	3,743,371		3,743,371	3,845,995
Region services	3,447,972		3,447,972	3,847,945
International events & programs	<u>791,251</u>		<u>791,251</u>	<u>804,024</u>
Total program services	24,245,856		24,245,856	22,925,579
Supporting services:				
National headquarters	3,167,361		3,167,361	3,006,406
Sponsorship, marketing & public relations	1,936,778		1,936,778	1,912,385
Governance	235,759		235,759	423,238
Fundraising	<u>31,849</u>		<u>31,849</u>	<u>44,900</u>
Total supporting services	<u>5,371,747</u>		<u>5,371,747</u>	<u>5,386,929</u>
Total expenses	<u>29,617,603</u>		<u>29,617,603</u>	<u>28,312,508</u>
CHANGE IN NET ASSETS	2,100,722	(14,844)	2,085,878	2,399,838
NET ASSETS, beginning of year	<u>8,815,047</u>	<u>375,826</u>	<u>9,190,873</u>	<u>6,791,035</u>
NET ASSETS, end of year	<u>\$ 10,915,769</u>	<u>\$ 360,982</u>	<u>\$ 11,276,751</u>	<u>\$ 9,190,873</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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2017 Consolidated Totals</u>
SUPPORT AND REVENUE:			
Program & event participation fees	\$ 9,036,043	\$	\$ 9,036,043
Membership & insurance	7,059,625		7,059,625
Sponsorship, rights & donations, including value in kind	4,843,334		4,843,334
USOC grants, including value in kind	2,415,700		2,415,700
Tickets, subscriptions & other sales	2,337,548		2,337,548
Other program support & revenue	1,628,563		1,628,563
Housing royalties	1,492,316		1,492,316
Product sales, less direct costs of \$58,232	844,885		844,885
Host incentives	507,453		507,453
Investment income	413,467	39,100	452,567
Grants & contributions	78,397	15,915	94,312
Satisfied program restrictions	5,000	(5,000)	
Total support and revenue	<u>30,662,331</u>	<u>50,015</u>	<u>30,712,346</u>
EXPENSES:			
Program services:			
National teams	7,725,057		7,725,057
Domestic events	6,702,558		6,702,558
Region services	3,847,945		3,847,945
High performance development	3,845,995		3,845,995
International events & programs	804,024		804,024
Total program services	<u>22,925,579</u>		<u>22,925,579</u>
Supporting services:			
National headquarters	3,006,406		3,006,406
Sponsorship, marketing & public relations	1,912,385		1,912,385
Governance	423,238		423,238
Fundraising	44,900		44,900
Total supporting services	<u>5,386,929</u>		<u>5,386,929</u>
Total expenses	<u>28,312,508</u>		<u>28,312,508</u>
CHANGE IN NET ASSETS	2,349,823	50,015	2,399,838
NET ASSETS, beginning of year	<u>6,465,224</u>	<u>325,811</u>	<u>6,791,035</u>
NET ASSETS, end of year	<u>\$ 8,815,047</u>	<u>\$ 375,826</u>	<u>\$ 9,190,873</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services					Total Program Services
	National Teams	Domestic Events	High Performance Development	Region Services	International Events & Programs	
Athlete prize money	\$ 814,841	\$ 2,000	\$	\$	\$ 1,320	\$ 818,161
Athlete support	580,600					580,600
Athlete transition	359,050					359,050
Awards and medals		90,560	2,974			93,534
Bad debts	18,350		85,641		19,230	123,221
Bank, interest, and credit card fees	539	118,769	68,482	21,432	3,521	212,743
Computer expense	56,451	75,301	65,960	182,718		380,430
Contract labor	252,356	618,987	504,593	99,459	39,820	1,515,215
Depreciation expense						
Entry fees	199,000		9,675	250		208,925
Equipment	24,584	73,169	157	60	39,867	137,837
Equipment rental/maintenance	4,341	174,967	946		532	180,786
Equipment transportation	75	300,583	18,600	50	10,130	329,438
Event personnel and catering	133,353	119,381	177,344	206	608	430,892
Facilities		340,989	25,332			366,321
Flooring rental		75,335		3,425		78,760
Grants				160,000		160,000
Host fees	4,928	883,333	809,161		174,800	1,872,222
Housing	222,957	148,538	37,191	870		409,556
Insurance	7,491	9,979		1,592,181	225	1,609,876
Medical	60,299	261,504				321,803
Merchandising	204	38,809				39,013
Miscellaneous	151,780	7,632	41,743	33,863	44,092	279,110
Officials fees	4,999	1,231,375	113,943	5,943	10,530	1,366,790
Officials training and rating team				100,118		100,118
Outreach	29,035	3,100			79,656	111,791
Payroll, benefits and taxes	2,922,696	649,916	632,494	1,018,791	217,438	5,441,335
Postage, shipping and drayage	3,427	85,781	40,491	5,891	1,419	137,009
Printing and copies	8,261	21,773	8,346		361	44,642
Professional fees				73,200		73,200
Promotions and gifts	20,234	18,913	5,534	9,851	16,589	71,121
Property						
Purchases - apparel/lettering	27,701	12,057	73,374	3,090	2,176	118,398
Rent and janitorial	389,202	94,909				484,111
Security	972	172,058	783			173,813
Sponsor servicing	0					
Sport science	76,792					76,792
Supplies	14,540	28,535	13,841	4,196	6,891	68,003
Telephone	11,042	3,837	6,689	4,933	2,266	28,767
Television and webcasting		64,045			24,000	88,045
Tournament scheduling		48,110				48,110
Travel, food and lodging	2,021,404	60,666	341,426	58,440	31,999	2,513,935
VIK usage	881,546	1,125,301	658,651	68,644	58,241	2,792,383
Totals	\$ 9,303,050	\$ 6,960,212	\$ 3,743,371	\$ 3,447,972	\$ 791,251	\$ 24,245,856

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Supporting Services				Total Supporting Services	Total Expenses
	National Headquarters	Sponsorship, Marketing & Public Relations	Governance	Fundraising		
Athlete prize money	\$	\$	\$	\$	\$	818,161
Athlete support						580,600
Athlete transition						359,050
Awards and medals		240	4,025		4,265	97,799
Bad debts		39,906			39,906	163,127
Bank, interest, and credit card fees	10,750	2,989	23	107	13,869	226,612
Computer expense	263,167	63,460		2,379	329,006	709,436
Contract labor	33,534		843		34,377	1,549,592
Depreciation expense	481,075				481,075	481,075
Entry fees						208,925
Equipment	3,896				3,896	141,733
Equipment rental/maintenance	578	15,850	2,627		19,055	199,841
Equipment transportation						329,438
Event personnel and catering			79,529		79,529	510,421
Facilities						366,321
Flooring rental						78,760
Grants						160,000
Host fees						1,872,222
Housing						409,556
Insurance	181,087			1,409	182,496	1,792,372
Medical						321,803
Merchandising						39,013
Miscellaneous	42,243	64,370	83,720	22,799	213,132	492,242
Officials fees						1,366,790
Officials training and rating team						100,118
Outreach	5,000				5,000	116,791
Payroll, benefits and taxes	1,453,429	925,269		114	2,378,812	7,820,147
Postage, shipping and drayage	5,714	178,914	1,523	10	186,161	323,170
Printing and copies	19,586	156,269	394		176,249	220,891
Professional fees	330,335	115,551	6,900	4,490	457,276	530,476
Promotions and gifts	23,284	4,795	1,680		29,759	100,880
Property	219,979				219,979	219,979
Purchases - apparel/lettering		3,983			3,983	122,381
Rent and janitorial						484,111
Security						173,813
Sponsor servicing		14,877	800		15,677	15,677
Sport science						76,792
Supplies	13,699	212	1,050		14,961	82,964
Telephone	12,597	1,273	159		14,029	42,796
Television and webcasting		17,331			17,331	105,376
Tournament scheduling						48,110
Travel, food and lodging	67,408	19,340	52,486	541	139,775	2,653,710
VIK usage		312,149			312,149	3,104,532
Totals	\$ 3,167,361	\$ 1,936,778	\$ 235,759	\$ 31,849	\$ 5,371,747	\$ 29,617,603

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services					Total Program Services
	National Teams	Domestic Events	Region Services	High Performance Development	International Events & Programs	
Athlete prize money	\$ 361,456					\$ 361,456
Athlete support	319,962					319,962
Athlete transition	80,000					80,000
Awards and medals		111,333		4,779	2,271	118,383
Bad debts				25		25
Bank, interest, and credit card fees	606	103,271	31,351	86,985	3,199	225,412
Computer expense	102,320	63,299	196,453	67,120	500	429,692
Contract labor	283,568	636,593	180,271	668,296	43,017	1,811,745
Depreciation expense						
Entry fees	400,500		700	7,190		408,390
Equipment	29,356	23,342	246	2,670	152	55,766
Equipment rental/maintenance	15,349	154,784		4,331		174,464
Equipment transportation		172,038		12,847	15,280	200,165
Event control committee					5,540	5,540
Event personnel and catering	117,446	123,234	309	87,503	27,366	355,858
Facilities		314,315		61,561	44,032	419,908
Flooring rental		105,553	6,757	4,300		116,610
Grants			227,328			227,328
Host fees	5,614	902,217	11,585	1,047,855	99,750	2,067,021
Housing	300,972	79,028		93,750	243,197	716,947
Insurance	12,790	8,367	1,517,024			1,538,181
Medical	47,518	249,118			10,245	306,881
Merchandising	9,950	40,582				50,532
Miscellaneous	127,015	10,670	40,472	15,809	72,281	266,247
Officials fees	2,675	1,161,837	33,918	139,061	21,915	1,359,406
Officials training and rating team			51,353			51,353
Outreach	10,000	2,000	29,582			41,582
Payroll, benefits and taxes	2,921,004	631,230	1,009,189	594,480	104,854	5,260,757
Postage, shipping and drayage	5,342	92,448	10,100	38,893	36,967	183,750
Printing and copies	6,328	34,157	10,700	7,903	1,730	60,818
Professional fees	2,048		293,354	5,576		300,978
Promotions and gifts	16,673	13,679	10,211	5,060	6,901	52,524
Property						
Purchases - apparel/lettering	25,782	56,615	16,397	107,105	897	206,796
Rent and janitorial	379,156	84,929				464,085
Security		128,967		1,679		130,646
Sponsor servicing	119					119
Sport science	84,874					84,874
Supplies	13,284	14,700	1,924	33,039	2,908	65,855
Telephone	14,202	6,548	5,788	7,658	617	34,813
Television and webcasting	29,329	21,307			500	51,136
Tournament scheduling		47,502				47,502
Travel, food and lodging	1,173,968	57,241	104,905	382,968	41,819	1,760,901
VIK usage	825,851	1,251,654	58,028	357,552	18,086	2,511,171
Totals	\$ 7,725,057	\$ 6,702,558	\$ 3,847,945	\$ 3,845,995	\$ 804,024	\$ 22,925,579

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Supporting Services				Total Supporting Services	Total Expenses
	National Headquarters	Sponsorship, Marketing & Public Relations	Governance	Fundraising		
Athlete prize money	\$	\$	\$	\$	\$	361,456
Athlete support						319,962
Athlete transition						80,000
Awards and medals			3,855		3,855	122,238
Bad debts		31,529			31,529	31,554
Bank, interest, and credit card fees	14,388	4,660	8	154	19,210	244,622
Computer expense	258,109	24,654			282,763	712,455
Contract labor			2,552		2,552	1,814,297
Depreciation expense	499,735				499,735	499,735
Entry fees						408,390
Equipment						55,766
Equipment rental/maintenance		7,957	3,219		11,176	185,640
Equipment transportation						200,165
Event control committee						5,540
Event personnel and catering			77,253		77,253	433,111
Facilities						419,908
Flooring rental						116,610
Grants						227,328
Host fees						2,067,021
Housing	140				140	717,087
Insurance	179,052	6,180		2,247	187,479	1,725,660
Medical						306,881
Merchandising						50,532
Miscellaneous	51,206	58,569	155,063	22,197	287,035	553,282
Officials fees						1,359,406
Officials training and rating team						51,353
Outreach	5,830				5,830	47,412
Payroll, benefits and taxes	1,465,786	783,811		18,332	2,267,929	7,528,686
Postage, shipping and drayage	4,006	248,696	203	12	252,917	436,667
Printing and copies	22,049	209,451	427	3	231,930	292,748
Professional fees	152,207	46,505	114,040	1,069	313,821	614,799
Promotions and gifts	27,309	31,686	1,659	280	60,934	113,458
Property	198,105				198,105	198,105
Purchases - apparel/lettering		11,790	250		12,040	218,836
Rent and janitorial						464,085
Security						130,646
Sponsor servicing		12,833	1,024		13,857	13,976
Sport science						84,874
Supplies	10,373	239	2,160		12,772	78,627
Telephone	12,177	3,598	783		16,558	51,371
Television and webcasting		40,393			40,393	91,529
Tournament scheduling						47,502
Travel, food and lodging	105,934	37,132	60,742	606	204,414	1,965,315
VIK usage		352,702			352,702	2,863,873
Totals	\$ 3,006,406	\$ 1,912,385	\$ 423,238	\$ 44,900	\$ 5,386,929	\$ 28,312,508

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,085,878	\$ 2,399,838
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	481,075	499,735
Realized and unrealized (gains) losses on investments	310,831	(359,493)
(Increase) decrease in operating assets:		
Accounts receivable, net	(1,101,905)	(1,157,947)
Prepaid expenses	(340,080)	(102,367)
Inventory	55,587	(21,198)
Increase (decrease) in operating liabilities:		
Accounts payable	407,505	(117,984)
Accrued liabilities	262,313	(228,013)
Regional insurance fund	10,594	40,821
Deferred revenue	<u>299,249</u>	<u>549,351</u>
Total adjustments	<u>385,169</u>	<u>(897,095)</u>
Net cash provided by operating activities	2,471,047	1,502,743
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross proceeds from sale of long-term investments	3,745,769	705,000
Gross purchases of long-term investments	(7,351,380)	(424,358)
Increase in restricted cash and investments	14,844	(50,015)
Acquisition of property and equipment	<u>(96,779)</u>	<u>(547,612)</u>
Net cash used by investing activities	<u>(3,687,546)</u>	<u>(316,985)</u>
NET INCREASE (DECREASE) IN CASH	(1,216,499)	1,185,758
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,354,875</u>	<u>4,169,117</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,138,376</u>	<u>\$ 5,354,875</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017

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.

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) nonprofit entity through sole-corporate membership requires consolidation. The entities are collectively referred to as the Organizations.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organizations have adjusted the presentation of the consolidated financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organizations' financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 8,815,047	\$
Temporarily restricted net assets	375,826	
Net assets without donor restrictions		8,815,047
Net assets with donor restrictions		<u>375,826</u>
Total net assets	<u>\$ 9,190,873</u>	<u>\$ 9,190,873</u>

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses are allocated 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.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2018 and 2017, the Organizations paid interest of \$0 and \$389, respectively. The Organizations paid no income taxes.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The Organizations have recorded an allowance for doubtful accounts in the amount of \$492,923 and \$346,549 at December 31, 2018 and 2017, respectively.

Inventory

Prior to 2018, the Organizations reported inventories at the lower of cost or market. Cost was determined using the first-in, first-out (FIFO) method.

As of the beginning of 2018, the Organizations began stating inventories prospectively at the lower of FIFO cost and net realizable value. This change was made in response to a recent FASB standard issued as part of the Financial Accounting Standards Board's simplification initiative.

Under the prior method, market was replacement cost, subject to possible adjustments. Net realizable value is generally based on the selling price. The change is intended to reduce complexity in financial statement preparation. This change had no significant effect on the change in net assets for 2018.

The inventory consists of promotional and educational items for give-a-ways and e-commerce.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 \$481,075 and \$499,735 for the years ended December 31, 2018 and 2017, respectively.

Compensated Absences

The Corporation has accrued amounts for accumulated compensated absences of employees. At December 31, 2018 and 2017, the balances of this accrual were \$347,998 and \$306,231, respectively.

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.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - continued

- Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organizations.
- Net assets with donor restrictions: net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other purposes specified by the donor. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2017, to conform with the presentation for the year ended December 31, 2018.

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 March 29, 2019, the date the financial statements were available to be issued.

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY

The Organizations' financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,138,376	\$ 5,354,875
Accounts receivable, net	4,434,763	3,332,858
Investments in marketable securities	<u>5,377,797</u>	<u>3,234,594</u>
Total	<u>\$13,950,936</u>	<u>\$11,922,327</u>

As part of the Corporation'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. In accordance with its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Corporation also has a \$1,863,528 line of credit available to meet cash flow needs.

The Foundation receives a majority of its support without donor restrictions; such support has historically represented approximately 10% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings. In addition, the Foundation receives occasional contributions with donor restrictions to use in accordance with the associated purpose or time restrictions. The Foundation has donor restricted investments of \$336,495 and \$351,339 as of December 31, 2018 and 2017, respectively. Income from donor restricted contributions is restricted for specific purposes, and, therefore, is not available for general expenditure.

C. 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 involv-

Notes to Consolidated Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

ing 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.
- 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 Organizations record transfers between levels at the end of the reporting period.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017:

Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in investments	\$ 619,124	\$	\$	\$ 619,124
Certificates of deposit	598,947			598,947
Fixed income	1,341,195			1,341,195
Money market	2,544,471			2,544,471
Mutual funds	1,761,782			1,761,782
USAVP stock			1,000	1,000
Total	<u>\$6,865,519</u>	<u>\$</u>	<u>\$ 1,000</u>	<u>\$6,866,519</u>

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in investments	\$ 131,151	\$	\$	\$ 131,151
Mutual funds	3,454,782			3,454,782
USAVP stock			1,000	1,000
Total	<u>\$3,585,933</u>	<u>\$</u>	<u>\$ 1,000</u>	<u>\$3,586,933</u>

Notes to Consolidated Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

USAVP Stock, a Level 3 input, had no activity during the years ended December 31, 2018 and 2017.

The Organizations have three certificates of deposit, bearing interest rates of approximately 2.00% and maturing in January 2019.

Investment income (loss) is recorded in the accompanying statement of activities and consists of the following for the years ended December, 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 128,726	\$ 93,074
Realized gains on investments	77,703	57,869
Unrealized gains (losses)	<u>(388,534)</u>	<u>301,624</u>
Investment income (loss)	<u>\$ (182,105)</u>	<u>\$ 452,567</u>

D. 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, 2018 and 2017, deferred revenue consists of the following:

	<u>2018</u>	<u>2017</u>
Region registrations	\$ 4,628,762	\$ 4,470,431
Tryout registrations	1,240,245	1,104,635
Event fees	136,725	101,784
Officials renewal fees	32,680	33,320
Host city funding	30,000	60,000
Clinic and seminar fees	15,060	14,980
Other	<u>2,286</u>	<u>1,359</u>
	<u>\$ 6,085,758</u>	<u>\$ 5,786,509</u>

E. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes:

Notes to Consolidated Financial Statements

E. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Subject to expenditure for specified purpose:

	<u>2018</u>	<u>2017</u>
Education	\$ 93,895	\$ 101,675
Sitting Teams - Foundation	60,481	57,011
Orange County Youth Development	50,609	56,898
Women's National Team	33,022	35,610
Boy's Youth National Team	29,803	32,271
Men's Sitting Team - Corporation	24,487	24,487
Men's National Team	18,561	20,098
Women's Youth National Team	14,288	15,471
Men's Junior National Team	10,907	11,810
Beach programs	10,109	4,779
Women's Junior National Team	7,382	7,993
Officials development	5,906	6,159
High performance - indoor	1,140	1,140
Other programs - Deaflympics	<u>392</u>	<u>424</u>
	<u>\$ 360,982</u>	<u>\$ 375,826</u>

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Orange County Youth Development	\$ 1,995	\$ 5,000
Sitting teams	<u> </u>	<u> </u>
	<u>\$ 1,995</u>	<u>\$ 5,000</u>

F. RELATED PARTIES

During the years ended December 31, 2018 and 2017, the USOC provided grants to the Corporation under the following project categories:

Notes to Consolidated Financial Statements

F. RELATED PARTIES - Continued

	<u>2018</u>	<u>2017</u>
NGB funding	\$ 1,398,500	\$ 1,280,000
Other grants	83,756	523,700
Rights fees	300,000	300,000
Paralympic grants	262,620	237,650
International relations	<u> </u>	<u>7,000</u>
	<u>\$ 2,044,876</u>	<u>\$ 2,348,350</u>

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

	<u>2018</u>	<u>2017</u>
Beach	\$ 450,000	\$ 450,000
Indoor	450,000	450,000
Paralympic	<u>96,000</u>	<u>96,000</u>
	<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 \$76,380 and \$67,350, for the years ended December 31, 2018 and 2017, respectively.

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

G. INTERCOMPANY TRANSACTIONS

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

H. 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

Notes to Consolidated Financial Statements

H. RETIREMENT PLAN - Continued

day of the month following completion of two years of employment. Employer contributions under this plan were \$355,929 and \$332,973 for the years ended December 31, 2018 and 2017, respectively.

I. 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 F, for the years ended December 31, 2018 and 2017, the monthly stipends paid by the Corporation amounted to \$580,600 and \$319,962, respectively.

The Corporation also provides athlete transition funding for vested athletes who separate from the national teams. Eligible athletes become vested after four years of qualified participation. The Corporation has accrued \$620,000 and \$350,950 at December 31, 2018 and 2017, respectively, to pay these obligations. The Corporation incurred \$359,050 and \$80,000 of athlete transition funding expense for the years ended December 31, 2018 and 2017, respectively.

During the year ended December 31, 2018, Management implemented a change in the method of estimating the liability that it records for future athlete transition funding. Effective for 2018 and beyond, the Corporation records the full future value of the athlete transition funding in the reporting period in which the athlete becomes vested. The 2018 athlete transition funding expense of \$359,050 consists of \$180,000 of new amounts vested during 2018 and \$179,050 of accelerated expense for previously vested amounts, which were historically discounted to net present value.

J. 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.

Notes to Consolidated Financial Statements

J. LEASES - Continued

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%.

On July 1, 2017, the Corporation entered into a lease agreement with University of Central Oklahoma to lease eight apartments. The term of the lease shall expire December 31, 2020. The annual cost of the apartments is \$61,200, or \$5,100 per month. The rental rate may be increased annually to reflect increases in utility rates. The landlord agrees to notify the tenant by December 1 of each year of any increase to the rental rate due to utility costs.

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

2019	\$	500,703
2020		515,960
2021		132,808
2022		113,475
2023		87,003

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

K. AFFILIATES

The Corporation has trade receivables of \$17,114 and \$14,267 due from affiliates and RVAs at December 31, 2018 and 2017, respectively. The Corporation has trade accounts payable of \$3,250 and \$1,640 and Regional Insurance Fund payable of \$1,059,254 and \$1,048,660 due to RVAs as of December 31, 2018 and 2017, respectively.

L. 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 was \$1,863,528 and \$2,032,940 as of December 31, 2018 and 2017, respectively. There was no outstanding balance at December 31, 2018 and 2017. 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 \$1,300,000. The minimum tangible net worth requirement increases 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.

M. 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 during the year ended December 31, 2017.

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidating Statement of Financial Position
December 31, 2018

	<u>USA Volleyball</u>	<u>USA Volleyball Foundation</u>	<u>Eliminating Entries</u>	<u>2018 Consolidated Totals</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 4,127,163	\$ 11,213	\$	\$ 4,138,376
Accounts receivable, net	4,434,763	10,000	(10,000)	4,434,763
Due from the USAVF	43,250		(43,250)	
Inventory	123,635			123,635
Deposits	14,500			14,500
Prepaid expenses	<u>1,053,480</u>			<u>1,053,480</u>
Total current assets	9,796,791	21,213	(53,250)	9,764,754
INVESTMENTS	3,696,348	2,833,676		6,530,024
RESTRICTED CASH AND INVESTMENTS		336,495		336,495
PROPERTY AND EQUIPMENT, at cost:				
Land	471,141			471,141
Building and improvements	3,997,611			3,997,611
Office furniture	547,698			547,698
Office equipment	811,777			811,777
Program equipment	2,599,202			2,599,202
Less accumulated depreciation	<u>(4,511,101)</u>			<u>(4,511,101)</u>
Property and equipment, net	<u>3,916,328</u>			<u>3,916,328</u>
TOTAL ASSETS	<u>\$ 17,409,467</u>	<u>\$ 3,191,384</u>	<u>\$ (53,250)</u>	<u>\$ 20,547,601</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 1,516,539	\$ 43,250	\$ (53,250)	\$ 1,506,539
Accrued liabilities	619,299			619,299
Regional insurance fund	1,059,254			1,059,254
Deferred revenue	<u>6,085,758</u>			<u>6,085,758</u>
Total current liabilities	9,280,850	43,250	(53,250)	9,270,850
NET ASSETS:				
Without donor restrictions	8,104,130	2,811,639		10,915,769
With donor restrictions	<u>24,487</u>	<u>336,495</u>		<u>360,982</u>
Total net assets	<u>8,128,617</u>	<u>3,148,134</u>		<u>11,276,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,409,467</u>	<u>\$ 3,191,384</u>	<u>\$ (53,250)</u>	<u>\$ 20,547,601</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, 2018

	USA Volleyball	USA Volleyball Foundaton	Eliminating Entries	2018 Consolidated Totals
SUPPORT AND REVENUE:				
Program & event participation fees	\$ 8,620,012	\$	\$	\$ 8,620,012
Membership & insurance	7,295,783			7,295,783
Sponsorship, rights & donations, including value in kind	5,244,191			5,244,191
Other program support & revenue	2,745,572			2,745,572
Tickets, subscriptions & other sales	2,500,737			2,500,737
USOC grants, including value in kind	2,121,256			2,121,256
Housing royalties	1,596,756			1,596,756
Product and ball sales, less direct costs of \$16,878	923,289			923,289
Host incentives	759,463			759,463
Grants & contributions	41,105	37,422		78,527
Investment income (loss)	61,306	(243,411)		(182,105)
USAVF grants	174,995		(174,995)	
Total support and revenue	32,084,465	(205,989)	(174,995)	31,703,481
EXPENSES:				
Program services:				
National teams	9,303,050			9,303,050
Domestic events	6,960,212			6,960,212
High performance development	3,743,371			3,743,371
Region services	3,447,972			3,447,972
International events & programs	791,251			791,251
Total program services	24,245,856			24,245,856
Supporting services:				
National headquarters	3,167,361			3,167,361
Sponsorship, marketing & public relations	1,936,778			1,936,778
Governance	235,759			235,759
Fundraising	3,044	203,800	(174,995)	31,849
Total supporting services	5,342,942	203,800	(174,995)	5,371,747
Total expenses	29,588,798	203,800	(174,995)	29,617,603
CHANGE IN NET ASSETS	2,495,667	(409,789)		2,085,878
NET ASSETS, beginning of year	5,632,950	3,557,923		9,190,873
NET ASSETS, end of year	\$ 8,128,617	\$ 3,148,134	\$	\$ 11,276,751

See Notes to Consolidated Financial Statements