USA Softball, Inc.
and Subsidiary

Consolidated Financial Report
December 31, 2018

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Contents

Independent Auditor's Report

To the Board of Directors
USA Softball, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of USA Softball, Inc. and its subsidiary, ASA Properties, Inc. (collectively USA Softball), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Softball, Inc. and its subsidiary as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
USA Softball adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the current year, see Note 1. The adoption of the standard resulted in additional footnote disclosures and certain changes to the classification of net assets and disclosures related to net assets. The ASU has been applied retrospectively to the earliest year presented. Our opinion is not modified with respect to this matter.

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

RSM US LLP

Oklahoma City, Oklahoma
September 18, 2019

USA Softball, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,396,322**	$ 4,251,185
Restricted cash	**-**	45,568
Accounts receivable	**564,265**	696,553
Inventory	**1,056,619**	1,160,679
Prepaid expenses, deposits and other current assets	**205,051**	179,757
Total current assets	**6,222,257**	6,333,742
Property, equipment, and leasehold improvements net of accumulated depreciation and amortization	**3,801,477**	3,947,155
Annuity investments	**189,833**	195,610
Beneficial interest in assets held by others	**192,283**	-
Total assets	**$ 10,405,850**	$ 10,476,507
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 406,032**	$ 560,729
Accrued liabilities	**140,230**	172,055
Deferred income	**471,713**	345,661
Total current liabilities	**1,017,975**	1,078,445
Deferred compensation	**74,568**	79,707
Total liabilities	**1,092,543**	1,158,152
Board designated	**192,283**	-
Undesignated	**9,121,024**	9,318,355
Net assets without donor restriction	**9,313,307**	9,318,355
Total liabilities and net assets	**$ 10,405,850**	$ 10,476,507

See notes to consolidated financial statements.

USA Softball, Inc. and Subsidiary

Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

	2018	2017
Changes in net assets without donor restrictions:		
Revenues:		
Program support:		
Membership registrations	**$ 6,423,789**	$ 6,671,234
Sponsorship and royalty revenue	**2,034,890**	2,039,828
Hall of Fame Stadium operations	**739,820**	1,174,016
National Council meeting revenue	**168,167**	150,617
Training aids and publications	**25,812**	56,449
Other program revenue	**1,117,369**	846,250
Loss on sale/disposal of assets	**(109,181)**	(22,615)
Change in value of beneficial interest in assets held by others	**(7,717)**	-
Contribution revenue	**211,510**	228,551
Umpire merchandise sales	**1,544,226**	1,640,688
Total revenues	**12,148,685**	12,785,018
Expenses:		
Program expenses		
Program services	**9,947,312**	10,509,065
Umpire merchandise and related expenses	**1,091,440**	1,259,199
General and administrative	**1,114,981**	1,005,721
Total expenses	**12,153,733**	12,773,985
Change in net assets	**(5,048)**	11,033
Net assets without donor restrictions at beginning of year	**9,318,355**	9,307,322
Net assets without donor restrictions at end of year	**$ 9,313,307**	$ 9,318,355

See notes to consolidated financial statements.

USA Softball, Inc. and Subsidiary

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Expenses			
	Program Services	Umpire Merchandise and related expenses	General and Administrative	Total
Advertising and promotions	$ 170,508	$ -	$ -	$ 170,508
Contract services	379,680	-	299,492	679,172
Cost of merchandise sold	399,551	697,261	-	1,096,812
Depreciation	252,004	-	113,486	365,490
Insurance	3,020,736	-	63,063	3,083,799
Maintenance costs	174,907	-	82,605	257,512
Meetings and camps	200,289	-	-	200,289
Meetings, camps and clinics	494,151	-	-	494,151
Membership/dues/subscriptions	483,812	-	-	483,812
National team tournament costs	318,612	-	-	318,612
Other	50,818	70,909	224,236	345,963
Personnel costs	1,777,608	157,638	300,304	2,235,550
Postage and freight	183,080	165,632	-	348,712
Publications and printing	315,984	-	-	315,984
Tournament fees	51,077	-	-	51,077
Tournament fees and awards	457,079	-	-	457,079
Utilities	99,350	-	31,795	131,145
Travel and accomodation	1,118,066	-	-	1,118,066
Total expenses	$ 9,947,312	$ 1,091,440	$ 1,114,981	$ 12,153,733

See notes to financial statements.

USA Softball, Inc. and Subsidiary

Statement of Functional Expenses
Year Ended December 31, 2017

	Program Expenses			
	Program Services	Umpire Merchandise and related expenses	General and Administrative	Total
Advertising and promotions	$ 337,308	$ -	$ -	$ 337,308
Contract services	493,482	-	272,174	765,656
Cost of merchandise sold	534,190	819,656	-	1,353,846
Depreciation	273,847	-	120,959	394,806
Insurance	2,552,270	-	53,802	2,606,072
Maintenance costs	228,846	-	38,771	267,617
Meetings and camps	213,611	-	-	213,611
Meetings, camps and clinics	622,382	-	-	622,382
Membership/dues/subscriptions	514,728	-	-	514,728
National team tournament costs	126,414	-	-	126,414
Other	54,378	57,292	206,494	318,164
Personnel costs	1,755,815	153,203	278,632	2,187,650
Postage and freight	193,619	229,048	-	422,667
Publications and printing	323,334	-	-	323,334
Tournament fees	103,331	-	-	103,331
Tournament fees and awards	549,495	-	-	549,495
Utilities	97,101	-	34,889	131,990
Travel and accomodation	1,534,914	-	-	1,534,914
Total expenses	$ 10,509,065	$ 1,259,199	$ 1,005,721	$ 12,773,985

See notes to financial statements.

USA Softball, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (5,048)**	$ 11,033
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	**365,490**	394,806
Bad-debt expense	**45,467**	9,549
Unrealized (gain) loss on annuity investments	**5,777**	(19,354)
Change in value of beneficial interest held by others	**7,717**	-
Net loss on disposal of property and equipment	**109,181**	22,615
Changes in operating assets and liabilities:		
Restricted cash	**45,568**	(13,419)
Accounts receivable	**86,821**	(140,039)
Inventory	**104,060**	320,256
Prepaid expenses, deposits and other current assets	**(25,294)**	122,258
Accounts payable	**(154,697)**	5,318
Accrued liabilities	**(31,825)**	46,884
Deferred income	**126,052**	(38,204)
Deferred compensation	**(5,139)**	(2,665)
Net cash provided by operating activities	**674,130**	719,038
Cash flows from investing activities:		
Purchases of property and equipment	**(328,993)**	(210,349)
Contribution to beneficial interest held by others	**(200,000)**	-
Net cash used in investing activities	**(528,993)**	(210,349)
Net change in cash and cash equivalents	**145,137**	508,689
Cash and cash equivalents at beginning of year	**4,251,185**	3,742,496
Cash and cash equivalents at end of year	**$ 4,396,322**	$ 4,251,185
Supplemental disclosures of cash flow information:		
Income taxes paid	**$ 97,467**	$ 184,297

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

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

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

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

Basis of accounting: 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).

Accounting pronouncements adopted: In 2018, USA Softball adopted FASB Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions. USA Softball has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively. At January 1, 2017, all net assets previously reported as unrestricted have been reclassified to net assets without donor restriction.

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. USA Softball has Board designated net assets of $192,283 and $-0-, as of December 31, 2018 and 2017, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

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. The amount of net assets identified as released from restrictions includes any amounts released whether received in the current year or prior periods. At both December 31, 2018 and 2017, there are no net assets with donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Conditional promises to give are recognized when the conditions on which they depend are substantially met. USA Softball distinguishes between contributions with and without donor restriction. USA Softball reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor-imposed time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from donor restrictions. When donor restricted gifts are received and restriction is fulfilled within the same year, they are reported as contributions without donor restriction.

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

Restricted cash: At December 31, 2018 and 2017, USA Softball held restricted cash of $-0- and $45,568, respectively, which resulted from concession sales at National Collegiate Athletics Association (NCAA) tournaments hosted at the stadium. The Board of Directors, through agreement with the NCAA, had restricted its use for capital improvements to be made on the stadium.

Receivables and credit policy: Accounts receivable consist of amounts billed to customers for purchases of inventory and other contractual agreements. USA Softball’s management considers various factors in estimating its allowance for doubtful accounts, including the length of time from the initial billing of the customer, the payment history of the customer, the customer’s financial status, and USA Softball’s overall collection history. Receivables are normally considered to be delinquent when they become 90 days outstanding from the date they were originally billed. A receivable is charged against the allowance when management has determined that all methods for collection of the receivable have been exhausted. For the years ended December 31, 2018 and 2017, USA Softball had $45,000 and $-0-, respectively, as an allowance for doubtful accounts.

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 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, 2018 or 2017.

Annuity investments: Annuity investments are comprised of one mutual fund recorded at fair value at December 31, 2018 and 2017. Fair values for USA Softball's mutual fund are based on quoted prices from major exchanges such as the NYSE or NASDAQ.

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 7). USA Softball carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (OCCF) at fair value.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred compensation: USA Softball has an agreement with one employee that provides for monthly payments of $1,000 upon retirement at age 65 or later if employment is continued. The monthly payments will continue after retirement for the remainder of the employee's life, with 120 monthly payments guaranteed certain. It is management's opinion that no other current or future employees will be granted such agreements. USA Softball paid $12,000 of benefits to the retired employee in both 2018 and 2017. The deferred compensation liability is recorded at the present value of the expected future aggregate payments to be made in accordance with the agreement. The present value of the payments was determined using the Internal Revenue Code "Single Life" tables and a discount rate equal to the 30-year U.S. Treasury Bond rate of 3.02% and 2.74% at December 31, 2018 and 2017, respectively.

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

Revenue recognition: Membership registration fees are reported in program support and are recognized as revenue in the applicable membership period. Expenses related to membership registration, are charged to expense in the period in which the related revenue is recognized. For the years ended December 31, 2018 and 2017, USA Softball received $326,670 and $293,311, respectively, of prepaid registration fees from certain local associations (net of related deferred expenses of $167,149 and $151,847, respectively). These registration fees are recognized pro-rata over the period in which related benefits are received. The portion of the registration that applies to future periods are included in deferred revenue in the consolidated statement of financial position.

Merchandise sales, and program support revenues, excluding membership registrations, are recognized when earned and/or when the related services are provided. USA Softball recognizes contributions of cash and other assets whose donor-imposed restriction is accomplished in the same year in which the gift is received as support without donor restrictions Unconditional promises to give, are recognized in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

USA Softball follows the ASC, which states that resources received in exchange transactions shall be classified as revenues and net assets without donor restrictions, even in circumstances in which the resource provider places limitations on the use of the resources.

Functional allocation of expenses: Expenses which apply to more than one functional category have been allocated between program expenses, and general and administrative 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 program support. Costs incurred related to shipping and handling are included in umpire merchandise and related expenses and program service expense.

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising costs: The costs of advertising and promotion activities are expensed as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 was approximately $171,000 and $337,000, 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 the annuity 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 this asset 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.

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

Recently issued accounting pronouncements: On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. ASU No. 2018-08 is effective for transactions in which USA Softball serves as a resource recipient for the year ending December 31, 2019 and is effective for transactions in which USA Softball serves as the resource provider for the year ending December 31, 2020. Earlier application is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2018-08 will have on its financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Subsequent events: Management has evaluated subsequent events through September 18, 2019, the date the financial statements were available to be issued. For the year ended December 31, 2018, there were no subsequent events requiring recognition.

Note 2. Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements consist of the following at December 31, 2018 and 2017:

	Useful Lives	2018	2017
Stadium leasehold improvements	5-40 years	$ 6,883,114	$ 6,982,160
Buildings, signs and grounds (leasehold improvements)	7-40 years	1,855,374	1,797,320
Hall of Fame interior	7-10 years	328,919	328,919
Furniture and office equipment	3-10 years	1,547,369	1,553,227
Statue and plaza	10-15 years	114,970	114,970
		10,729,746	10,776,596
Accumulated depreciation and amortization		(6,928,269)	(6,829,441)
		$ 3,801,477	$ 3,947,155

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

Note 3. Income Taxes

USA Softball is generally exempt from federal income taxes on its related income under the provisions of Internal Revenue Code (IRC) section 501(a) as an organization described in section 501(c)(3). However, USA Softball is subject to income taxes under IRC section 511 on net income it produces not related to the exempt operations of USA Softball. Unrelated business income tax expense of approximately $15,000 and $19,000 for the years ended December 31, 2018 and 2017, respectively, is recognized in net income of the operations not related to USA Softball's tax-exempt purpose and is included in general and administrative expenses in the statements of activities. Certain income tax expense reported by ASAP for the years ended December 31, 2018 and 2017, was approximately $70,000 and $55,000, respectively.

Note 4. Employee Benefits

USA Softball offers a 401(k) profit sharing plan (the Profit Sharing Plan) covering substantially all full-time employees, including part-time employees working at least 1,000 hours. Employer contributions under the Profit Sharing Plan are not defined and could vary from year to year. Although employer contributions are not defined in the Profit Sharing Plan, management currently anticipates they will utilize an 8% contribution rate. Benefits of the Profit Sharing Plan are limited to the plan assets. Profit sharing expense for the years ended December 31, 2018 and 2017 was approximately $130,000 and $106,000, respectively. Profit sharing expense includes approximately ($6,000) and $19,000 of unrealized gain/(loss) on annuity investments in the years ended December 31, 2018 and 2017, respectively. No employee matching is required.

Note 5. Commitments and Contingencies

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

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

Note 6. Liquidity and Funds Available

Financial assets available to meet cash needs for general expenditures and projects authorized by the Board of Directors within one year as of December 31, 2018 and 2017 are as follows:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	$ 4,396,322	$ 4,251,185
Other receivables	564,265	696,553
Prepaid expenses	205,051	179,757
Annuity investments	189,833	195,610
Beneficial interest in assets held by others	192,283	-
Total financial assets	5,165,638	5,127,495
Less amounts not available to be used within one year:		
Annuity investments restricted for future periods	177,833	183,610
Board designated endowment not available for expenditure within one year	182,669	-
Financial assets not available to be used within one year	360,502	183,610
Financial assets available to meet general expenditures within one year	$ 4,805,136	$ 4,943,885

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 7. Beneficial Interest in Assets Held by Others

In 2018, USA Softball transferred $200,000 to the Oklahoma City Community Foundation, Inc. (OCCF) and specified itself as the beneficiary of the funds. The Board of Directors has specified that these funds are to be held at the Foundation, to function as a Board Designated endowment to support the four USA National teams. Annually, distributions from the funds are paid to USA Softball according to the 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. The fair value of assets transferred to the Foundation at December 31, 2018 was $192,283.

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 investment and distribution policies of OCCF. At December 31, 2018, the fair value of the funds originally donated by third parties was approximately $7,275.

Note 8. Endowment Disclosures

In 2018, USA Softball created an endowment which consists of the beneficial interest in assets held by OCCF as discussed in Note 7. 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 SPMIFA, the Organization 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 the Organization 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 the Organization, and
- The investment policies of the Organization.

Note 8. Endowment Disclosures (Continued)

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

	As of December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 192,283	$ -	$ 192,283
Total endowment funds	$ 192,283	$ -	$ 192,283

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

	As of December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ -	$ -
Board designations	200,000	-	200,000
Change in value of beneficial interest	(7,717)	-	(7,717)
Endowment net assets, end of year	$ 192,283	$ -	$ 192,283

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 five percent 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 9. 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:

Annuity investments: All of the investments held as annuity investments are marketable securities and are 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 classifies all such assets as Level 1.

Note 9. Fair Value Measurements (Continued)

Beneficial interest in assets held by others: Beneficial interests in assets held by others are primarily pooled investment funds held and managed by the Foundation, 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 hierarchy.

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows at December 31:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Annuity investments:				
Mutual funds	$ 189,833	$ -	$ -	$ 189,833
Total investments accounted for at fair value	189,833	-	-	189,833
Beneficial interest in assets held by others	-	-	192,283	192,283
Total assets measured at fair value	$ 189,833	$ -	$ 192,283	$ 382,116

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows at December 31:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Annuity investments:				
Mutual funds	$ 195,610	$ -	$ -	$ 195,610
Total assets measured at fair value	$ 195,610	$ -	$ -	$ 195,610

USA Softball's Level 3 investments for the year ended December 31, 2018 and 2017, recognized contributions totaling $200,000, and $-0-, respectively, and change in beneficial interest in assets held by others of $(7,717), and $-0-, respectively. This summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the USA Softball by OCCF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees and is included in change in value of beneficial interest in assets held by OCCF in the statement of activities. Distributions from the OCCF decrease the Organization's beneficial interest and increase cash at the time of distribution.

The fair value of the Level 3 assets is determined using the income approach (expected future cash flows) and is based on the fair value of the assets held by OCCF and reported to USA Softball. USA Softball's interest in pooled investment funds held and managed by OCCF, which USA Softball does not have the ability to redeem.

Note 9. Fair Value Measurements (Continued)

The following table summarizes the valuation techniques and significant unobservable inputs used by the Organization that are categorized within Level 3 of the fair value hierarchy as of December 31.

	Fair Value at		Valuation	Unobservable
Investment Type	2018	2017	Techniques	Input
Beneficial interest in assets held by others	$ 192,283	$ -	Discounted cash flows (a)	Market risk discount (b)

(a) Represents amounts used when reporting entity has determined that market participants would take into account these returns when pricing the investments.

(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

Consolidated Schedule of Support and Revenues, Budget and Actual
Year Ended December 31, 2018

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Program support:			
Membership registration:			
Registrations	$ 6,195,000	$ 5,625,917	$ (569,083)
Clinics and schools	474,000	489,197	15,197
Tournament assessments	463,000	308,675	(154,325)
Hall of Fame Stadium operations	842,000	739,820	(102,180)
	7,974,000	7,163,609	(810,391)
Sales of training aids, publications and advertising:			
Official guide and rule book	20,000	9,725	(10,275)
Training aids and merchandise	12,000	16,087	4,087
	32,000	25,812	(6,188)
Sponsorships and royalties	2,050,750	2,034,890	(15,860)
National Council meeting revenues:			
Booths at annual meetings	20,000	32,940	12,940
Sponsorship for National Council meeting	20,000	75,880	55,880
Member registration	60,000	59,347	(653)
	100,000	168,167	68,167
Other program revenue:			
Shipping income	23,000	34,305	11,305
Merchandise sales	215,000	324,793	109,793
United States Olympic Committee grant	206,800	211,800	5,000
Other	176,000	546,471	370,471
	620,800	1,117,369	496,569
Total program support	10,777,550	10,509,847	(267,703)

(Continued)

Schedule 1

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Support and Revenues, Budget and Actual (Continued)
Year Ended December 31, 2018

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Gain (loss) on sale/disposal of assets	-	(109,181)	(109,181)
Change in beneficial interest held by others	-	(7,717)	(7,717)
Contribution revenue	130,950	211,510	80,560
Umpire merchandise sales:			
Sales of merchandise	1,402,500	1,385,911	(16,589)
Postage and handling/finance charge	160,000	158,315	(1,685)
	1,562,500	1,544,226	(18,274)
Total support and revenues	$ 12,471,000	$ 12,148,685	$ (322,315)

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Program Service, Umpire Merchandise and Related Expenses, Budget and Actual
Year Ended December 31, 2018

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Program services:			
Registration expenses:			
Memberships/dues/subscriptions	$ 585,000	$ 483,812	$ 101,188
Hall of Fame Stadium operations	1,017,000	1,101,099	(84,099)
	1,602,000	1,584,911	17,089
Publication expenses:			
Postage and freight	178,000	163,897	14,103
Printing and binding	278,000	267,222	10,778
Balls and Strikes Magazine	5,000	8,198	(3,198)
	461,000	439,317	21,683
Tournament expenses:			
Other	225,000	161,245	63,755
Conferences, clinics, schools and workshops:			
Advertising and promotion	195,000	170,508	24,492
Travel	145,000	147,674	(2,674)
National Council meeting	331,000	329,185	1,815
J.O. coach and player camps	-	8,180	(8,180)
National UIC Clinic	515,000	485,971	29,029
	1,186,000	1,141,518	44,482
Other program service expenses:			
Cost of resale materials	120,000	185,126	(65,126)
Contract services	326,400	220,860	105,540
Personnel services	1,957,079	1,777,608	179,471
Utilities	-	99,350	(99,350)
Depreciation expense	-	252,004	(252,004)
Insurance	3,344,000	3,020,736	323,264
Hall of Fame induction	10,000	5,990	4,010
Training	1,028,000	1,039,427	(11,427)
Other	22,000	19,220	2,780
	6,807,479	6,620,321	187,158
Total program expenses	10,281,479	9,947,312	334,167

(Continued)

Schedule 2

USA Softball, Inc. and Subsidiary

Consolidated Schedule of Program Service, Umpire Merchandise and Related Expenses, Budget and Actual (Continued)
Year Ended December 31, 2018

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
Umpire merchandise and related expenses:			
Cost of merchandise sold	$ 720,000	$ 697,261	$ 22,739
Umpire personnel	150,000	157,638	(7,638)
Shipping supplies	10,000	10,455	(455)
Freight/postage	204,000	155,177	48,823
Income tax expense	80,000	70,170	9,830
Other	2,000	739	1,261
Total umpire merchandise and related expenses	1,166,000	1,091,440	74,560

Schedule 3

Consolidated Schedule of General and Administrative Expenses, Budget and Actual
Year Ended December 31, 2018

	(Unaudited) Budgeted Amount	Actual	Favorable (Unfavorable) Variance
General and administrative expenses:			
Personnel services	$ 421,000	$ 300,304	$ 120,696
Contract services	291,000	299,492	(8,492)
Depreciation	-	113,486	(113,486)
Utilities	40,000	31,795	8,205
Telephone	72,000	54,667	17,333
Office supplies	35,000	33,936	1,064
Office equipment maintenance	6,000	4,026	1,974
Computer maintenance	35,000	64,361	(29,361)
Grounds/buildings maintenance	10,000	14,218	(4,218)
UBIT, state and miscellaneous taxes	10,000	15,115	(5,115)
Bad-debt expenses	6,000	45,467	(39,467)
Bank service charges	40,000	48,834	(8,834)
Credit card services charges	23,000	26,217	(3,217)
Insurance	58,000	63,063	(5,063)
Total general and administrative expenses	$ 1,047,000	$ 1,114,981	$ (67,981)
Total program service, umpire merchandise and related expenses, and general and administrative expenses	$ 12,494,479	$ 12,153,733	$ 340,746