

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**USA Softball, Inc. and Subsidiary**

December 31, 2020 and 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
USA Softball, Inc.

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of USA Softball, Inc. (a nonprofit organization) and subsidiary ("USA Softball"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to USA Softball's preparation and fair presentation of the consolidated 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 USA Softball'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 consolidated 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 Softball, Inc. and subsidiary as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters***Report on 2019 summarized comparative information*

The consolidated financial statements of USA Softball, Inc. as of and for the year ended December 31, 2019 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2019 consolidated financial statements in their report dated October 7, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Oklahoma City, Oklahoma  
August 24, 2021

USA Softball, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,784,155	\$ 4,309,180
Restricted cash	50,000	50,000
Accounts receivable	312,207	518,338
Inventory	1,068,508	892,321
Prepaid expenses, deposits and other current assets	<u>455,930</u>	<u>183,104</u>
Total current assets	5,670,800	5,952,943
<b>Property and equipment, and leasehold improvements, net</b>	3,348,668	3,613,329
<b>Investment</b>	-	219,604
<b>Beneficial interest in assets held by others</b>	<u>259,466</u>	<u>230,873</u>
Total assets	<u>\$ 9,278,934</u>	<u>\$ 10,016,749</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 246,625	\$ 297,540
Accrued expenses	252,434	116,657
Deferred revenue	<u>650,751</u>	<u>359,559</u>
Total current liabilities	1,149,810	773,756
Total liabilities	<u>1,149,810</u>	<u>773,756</u>
<b>Net assets</b>		
Without donor restrictions	8,110,160	9,224,029
With donor restrictions	<u>18,964</u>	<u>18,964</u>
Total net assets	<u>8,129,124</u>	<u>9,242,993</u>
Total liabilities and net assets	<u>\$ 9,278,934</u>	<u>\$ 10,016,749</u>

The accompanying notes are an integral part of these consolidated financial statements.

**USA Softball, Inc. and Subsidiary**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Year ended December 31, 2020 (with summarized comparative information for the year ended December 31, 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support:				
Program support:				
Registrations and assessments	\$ 4,528,946	\$ -	\$ 4,528,946	\$ 6,628,999
Sponsorships and royalty revenue	1,771,299	-	1,771,299	2,355,768
Hall of Fame Stadium operations	108,298	-	108,298	591,837
National Council meeting revenue	2,275	-	2,275	121,243
Umpire merchandise sales	735,818	-	735,818	1,395,030
Concession and other merchandise sales	481,306	-	481,306	1,024,367
Contribution revenue	687,943	-	687,943	622,435
Investment return, net	9,973	-	9,973	39,624
Change in value of beneficial interest in assets held by others	28,593	-	28,593	38,590
Loss on sale/disposal of assets	(549,840)	-	(549,840)	-
Gain on termination of annuity agreement	-	-	-	74,568
Other (loss) income	(255)	-	(255)	6,860
<b>Total revenues, gains and other support</b>	<b>7,804,356</b>	<b>-</b>	<b>7,804,356</b>	<b>12,899,321</b>
Expenses:				
Program expenses:				
Program services	7,030,376	-	7,030,376	10,681,449
Umpire merchandise and related expenses	622,245	-	622,245	1,099,410
General and administrative	1,265,604	-	1,265,604	1,171,328
Fundraising	-	-	-	17,448
<b>Total expenses</b>	<b>8,918,225</b>	<b>-</b>	<b>8,918,225</b>	<b>12,969,635</b>
Change in net assets	(1,113,869)	-	(1,113,869)	(70,314)
<b>Net assets at beginning of year</b>	<b>9,224,029</b>	<b>18,964</b>	<b>9,242,993</b>	<b>9,313,307</b>
<b>Net assets at end of year</b>	<b>\$ 8,110,160</b>	<b>\$ 18,964</b>	<b>\$ 8,129,124</b>	<b>\$ 9,242,993</b>

The accompanying notes are an integral part of these consolidated financial statements.

USA Softball, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2020 (with summarized comparative information for the year ended December 31, 2019)

	2020				2019	
	Program Expenses		General and Administrative	Fundraising	Total	Total
Program Services	Umpire Merchandise and Related Expenses					
Advertising and promotions	\$ 211,588	\$ -	\$ -	\$ -	\$ 211,588	\$ 217,751
Camps and clinics	96,561	-	-	-	96,561	566,658
Contract services	260,997	-	202,896	-	463,893	635,377
Cost of merchandise sold	273,494	336,004	-	-	609,498	1,023,554
Depreciation	274,175	19,793	34,126	-	328,094	334,114
Events	600	-	-	-	600	36,156
Grants	-	-	-	-	-	16,481
Insurance	1,819,963	-	82,905	-	1,902,868	2,980,423
Maintenance costs	132,147	-	27,141	-	159,288	182,987
Meetings	5,487	-	-	-	5,487	193,103
Membership, dues and subscriptions	431,651	-	-	-	431,651	486,334
National team tournament costs	556,781	-	-	-	556,781	572,617
Other	6,220	2,058	209,079	-	217,357	212,521
Personnel costs	1,418,044	180,902	679,936	-	2,278,882	2,177,904
Postage and freight	136,342	83,488	-	-	219,830	310,260
Publications and printing	171,437	-	-	-	171,437	309,842
Tournament fees and awards	658,636	-	-	-	658,636	1,232,338
Travel and accommodations	433,323	-	-	-	433,323	1,359,536
Utilities	142,930	-	29,521	-	172,451	121,679
Total expenses	<u>\$ 7,030,376</u>	<u>\$ 622,245</u>	<u>\$ 1,265,604</u>	<u>\$ -</u>	<u>\$ 8,918,225</u>	<u>\$ 12,969,635</u>

The accompanying notes are an integral part of these consolidated financial statements.

**USA Softball, Inc. and Subsidiary**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended December 31,**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,113,869)	\$ (70,314)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	328,094	334,114
Bad debt expense (recovery)	1,633	(16,378)
Unrealized gain on investment	(2,924)	(29,771)
Change in value of beneficial interest in assets held by others	(28,593)	(38,590)
Net loss on disposal of property and equipment	549,840	-
Changes in operating assets and liabilities		
Accounts receivable	204,498	62,305
Inventory	(176,187)	164,298
Prepaid expenses, deposits and other current assets	(272,826)	21,947
Accounts payable	(50,915)	(108,492)
Accrued liabilities	135,777	(23,573)
Deferred revenue	291,192	(112,154)
Deferred compensation	-	(74,568)
	(134,280)	108,824
<b>Net cash (used in) provided by operating activities</b>	<b>(134,280)</b>	<b>108,824</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(613,273)	(145,966)
Sale of investments	222,528	-
Contribution to beneficial interest in assets held by others	-	(7,041)
Distribution from beneficial interest in assets held by others	-	7,041
	(390,745)	(145,966)
<b>Net cash used in investing activities</b>	<b>(390,745)</b>	<b>(145,966)</b>
<b>Cash flows from financing activities:</b>		
PPP loan distribution	403,900	-
PPP loan forgiveness	(403,900)	-
	-	-
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(525,025)</b>	<b>(37,142)</b>
<b>Cash, cash equivalents and restricted cash at beginning of year</b>	<b>4,359,180</b>	<b>4,396,322</b>
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>\$ 3,834,155</b>	<b>\$ 4,359,180</b>
<b>Supplemental disclosures of cash flow information:</b>		
Income taxes paid	\$ 67,532	\$ 94,217

The accompanying notes are an integral part of these consolidated financial statements.



**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Business***

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

***Subsidiary***

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

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

***Basis of Accounting***

USA Softball's consolidated financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The consolidated 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 (U.S. GAAP).

***Revenue Recognition for Exchange Transactions (Program Support)***

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

**Registrations and Assessments**

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

USA Softball provides umpire and other officiating services for tournaments hosted in various cities throughout the United States. The services are transferred over time to the customer on each day of the

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

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

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

Sponsorships and Royalty Revenue

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

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

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

## USA Softball, Inc. and Subsidiary

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

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

Sponsorship and royalty revenue recognized at a point in time for the years ended December 31, 2020 and 2019, was \$784,433 and \$1,587,403, respectively. Sponsorship and royalty revenue recognized over time for the years ended December 31, 2020 and 2019 was \$986,866 and \$768,365, respectively.

#### Hall of Fame Stadium Operations

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

#### National Council Meeting

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

#### Umpire Merchandise Sales and Concession and Other Merchandise Sales

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

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

#### ***Receivables and Credit Policy***

Accounts receivable consists of amounts billed to customers for purchases of inventory and other contractual agreements. Accounts receivable are due within 30 to 60 days of the invoice date. Accounts receivable are stated at the amounts due from customers, net of an allowance for doubtful accounts.

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

In instances where the timing of revenue recognition differs from the timing of the right to invoice, USA Softball has determined that a significant financing component generally does not exist. USA Softball has elected the practical expedient that permits the Company to not recognize a significant financing component if the time between transfer of a good or service and payment is one year or less.

USA Softball's management considers various factors in estimating its allowance for doubtful accounts, including the length of time from the initial billing of the customer, the payment history of the customer, the customer's financial status, and USA Softball's overall collection history. USA Softball recognized bad debt expense (recoveries) of \$1,633 and \$(16,378) in 2020 and 2019, respectively, and there is no allowance for doubtful accounts as of December 31, 2020 and 2019.

***Deferred Revenue***

USA Softball receives deposits from municipalities that will host future national tournaments. These deposits are advances of guaranteed fees to USA Softball. The revenue for these fees is recognized when the tournament is held. Additionally, USA Softball, as part of its sponsorship revenue program, receives monies in advance of the period that the monies are earned. USA Softball recognizes revenue from the sponsorships as earned under the terms of the contract. Expenses related to membership registration, are recorded in the period in which the related revenue is recognized.

***Net Asset Classifications***

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

Without Donor Restriction

Net assets not subject to donor-imposed purpose or time restriction. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors. At December 31, 2020 and 2019, USA Softball's Board of Directors has designated net assets for the following purposes:

Designated for Endowment

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

With Donor Restriction

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

***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received by USA Softball. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions other than cash are recorded at their estimated fair value on the gift date. Contributed services received by USA Softball are recognized as contribution revenue when (1) they create or enhance a nonfinancial asset and/or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Gifts of cash and other assets are recognized as restricted support if they are received with donor restrictions that limit

## USA Softball, Inc. and Subsidiary

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

the use of the donated assets. When donor restricted gifts are received and the restriction is fulfilled or satisfied within the same year, the contribution is reported as contributions without donor restriction.

#### PPP Loan Proceeds

On March 29, 2020, Congress passed, and the President signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). One principle portion of the CARES Act established the Payroll Protection Program "PPP", under which the United States Small Business Administration ("SBA") was empowered to approve loans by insured financial institutions for up to \$10 million. These PPP loans are forgivable to the extent the recipients incur qualified expenses. The CARES Act and the PPP loan documentation authorizes the SBA to conduct an audit of the PPP loan and requires a borrower to provide all requested documentation supporting the loan application and any application for loan forgiveness, all of which need to be retained for six years. If the SBA subsequently determines that the borrower was ineligible for the PPP loan, the borrower must immediately repay the loan to the creditor.

Throughout 2020, USA Softball received \$403,900 of PPP loans. USA Softball elected to account for the loans as a conditional contribution. As USA Softball incurred qualified expenses in excess of the PPP loan amount and, therefore, it recorded the related anticipated loan forgiveness of \$403,900 as contribution revenue. The PPP loan was formally forgiven as of January 11, 2021.

#### **COVID-19 Impacts**

USA Softball experienced a decline in revenues year over year and a slight delay in collection of outstanding receivables throughout 2019 due to the COVID-19 pandemic. Several revenue generating tournaments scheduled for 2020, including the Women's College World Series, were canceled. While USA Softball has successfully held many revenue generating tournaments during 2021, future stay-at-home orders could impact future 2021 tournaments and other revenue generating activities. Additionally, it is reasonably possible that estimates made in the consolidated financial statements may be materially and adversely impacted in the near term as a result of these conditions.

#### **Cash and Cash Equivalents**

USA Softball considers all highly liquid investments with original maturities of three months or less to be cash equivalents. USA Softball maintains cash in bank depository accounts which, at times, may exceed federally insured limits. USA Softball has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

#### **Restricted Cash**

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

#### **Inventory**

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

#### **Property, Equipment and Leasehold Improvements**

USA Softball generally capitalizes all property, equipment and leasehold improvements purchased at a cost equal to or exceeding \$1,000. Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support

## USA Softball, Inc. and Subsidiary

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

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 consolidated financial statements as the stadium and related land are owned by the City. Construction costs and other improvements paid by USA Softball are capitalized as leasehold improvements and amortized over the lesser of their estimated useful lives or the remaining life of the lease.

#### ***Fair Value Measurements***

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a three-level hierarchy for measuring fair value. The fair value hierarchy for valuation inputs gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 - Unobservable inputs for determining the fair values of assets or liabilities that reflect USA Softball's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Financial assets and liabilities carried at fair value on a recurring basis include investments and beneficial interest in assets held by others. USA Softball 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, 2020 or 2019.

#### ***Investment***

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

#### ***Beneficial Interest in Assets Held By Others***

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

#### ***Collections***

USA Softball does not recognize the cost or value of its collections as assets in the consolidated statements of financial position, nor does it recognize gifts of collection items as revenues in the consolidated statements of activities. USA Softball's collections were all acquired through contributions, and are made up of historical softball memorabilia and artifacts and are held for historical and educational purposes. Each of the items is cataloged, preserved and cared for, and activities verifying existence and condition are performed regularly. Purchases of collection items, if any in future periods, are recorded as decreases in

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. USA Softball's collections are subject to a policy requiring proceeds from collection sales to be used to acquire other items for collections.

***Deferred Compensation***

USA Softball had an agreement with one former employee that provided for monthly payments of \$1,000 upon retirement. The monthly payments were to continue for the remainder of the employee's life, with 120 monthly payments guaranteed. In December 2019, the former employee became deceased, and as the minimum 120 payments had been met, the deferred compensation agreement terminated. USA Softball recognized a gain of \$74,568 upon termination of the remaining estimated obligation. It is management's opinion that no other current or future employees will be granted such agreements. USA Softball paid \$12,000 in benefits to the retired employee in 2019. Prior to termination, the deferred compensation liability was recorded at the present value of the expected future aggregate payments to be made in accordance with the agreement. The present value of the payments was determined using the Internal Revenue Code (IRC) "Single Life" tables and a discount rate equal to the 30-year U.S. Treasury Bond rate of 3.02% at December 31, 2018.

***Functional Allocation of Expenses***

Expenses which apply to more than one functional category have been allocated between program expenses, general and administrative, and fundraising based on evaluation of the related activities. Depreciation is allocated based on square footage and use of the associated assets, and personnel costs are based on time and effort of the individual employees in performing the various functions. The remaining expenses are not allocated as they are direct costs of a specific function. General and administrative expenses are those expenses not directly identified with a specific program or activity which provide for the overall support and direction of USA Softball.

***Classification of Shipping and Handling Costs***

All amounts billed to customers for shipping and handling are included in umpire merchandise sales and/or concession and other merchandise sales. Costs incurred related to shipping and handling are included in program services expense and/or umpire merchandise and related expense in the consolidated statements of activities.

***Advertising Costs***

The costs of advertising and promotion activities are expensed as they are incurred. Advertising expense for the years ended December 31, 2020 and 2019 was approximately \$212,000 and \$218,000, respectively.

***Use of Estimates***

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual amounts could differ from those estimates.

***Concentrations***

At December 31, 2020, gross accounts receivable totaling approximately \$164,000 are due from four customers, representing approximately 54% of gross accounts receivable. At December 31, 2019, gross accounts receivable totaling approximately \$215,000 are due from four customers, representing approximately 41% of gross accounts receivable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

In 2020, USA Softball received contributions from one donor totaling approximately \$246,000, representing approximately 87% of total contribution revenue, excluding the PPP loan forgiveness. In 2019, USA Softball received contributions from one donor totaling approximately \$314,000, representing approximately 50% of total contribution revenue.

Three vendors constitute USA Softball's major suppliers of umpire gear and other inventory items. In 2020 and 2019, approximately 59% and 58% of USA Softball's total inventory purchases were from these vendors.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance affects any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. This amendment is effective for USA Softball for fiscal years beginning on or after January 1, 2022. Early adoption is permitted. USA Softball is currently evaluating the effect implementation of ASU No. 2016-02 will have on its consolidated financial statements.

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

**Prior Year Information**

The consolidated financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements of USA Softball for the year ended December 31, 2019, from which the summarized totals were derived.

**Reclassifications**

Reclassifications of prior year comparative information have been made to conform to current year presentation. These reclassifications, among others, had no effect on total net assets or the change in net assets.

**NOTE 2 - REVENUE FROM EXCHANGE TRANSACTIONS**

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

	2020	2019
Revenue recognized at a point in time	\$ 2,001,557	\$ 4,006,800
Revenue recognized over time	5,626,385	8,110,444
	<u>\$ 7,627,942</u>	<u>\$ 12,117,244</u>



**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

Change in deferred revenue related to material right performance obligations for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of period	\$ 359,559	\$ 471,713
Deferral of revenue	650,751	359,559
Recognition of unearned revenue	<u>(359,559)</u>	<u>(471,713)</u>
 Balance, end of period	 <u>\$ 650,751</u>	 <u>\$ 359,559</u>

USA Softball expects to recognize \$650,751 in deferred revenue related to material right performance obligations in 2021.

**NOTE 3 - PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

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

	<u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Stadium leasehold improvements	5-40 years	\$ 6,810,122	\$ 6,772,249
Buildings, signs and grounds (leasehold improvements)	10-40 years	1,886,243	1,878,878
Hall of Fame interior	5-40 years	336,380	336,380
Furniture and office equipment	3-15 years	1,606,430	1,588,235
Statue and plaza	15 years	<u>114,970</u>	<u>114,970</u>
		10,754,145	10,690,712
Accumulated depreciation		<u>(7,405,477)</u>	<u>(7,077,383)</u>
		<u>\$ 3,348,668</u>	<u>\$ 3,613,329</u>

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

**NOTE 4 - INCOME TAXES**

USA Softball is generally exempt from federal income taxes on its related income under the provisions of 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. ASAP has been organized as a taxable corporation and files a federal and Oklahoma income tax return.

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

As required by the uncertain tax position guidance in the FASB ASC 740, *Income Taxes*, USA Softball and ASAP recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an examination. USA Softball and ASAP recognize the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. All tax positions taken related to USA Softball and ASAP, for which the statute of limitations remained open, have been reviewed, and management is of the opinion that material positions taken by USA Softball and ASAP would more likely than not be sustained upon examination. Accordingly, USA Softball, Inc. unrelated business income tax expense of approximately \$33,000 and \$24,000 for the years ended December 31, 2020 and 2019, respectively, is included in general and administrative expenses in the consolidated statements of activities. Income tax expense reported by ASAP for the years ended December 31, 2020 and 2019, was approximately \$2,000 and \$54,000, respectively, and is also included in umpire merchandise and related expenses.

USA Softball files information and unrelated business income returns in the federal and Oklahoma jurisdictions. The federal and state Oklahoma income tax statutes remain open for USA Softball for the previous three period. ASAP files a federal income tax and Oklahoma tax return, which remain open for examination for the previous three year periods.

**NOTE 5 - EMPLOYEE BENEFITS**

USA Softball offers a 401(k) profit sharing plan (the Profit Sharing Plan) covering substantially all full-time employees, including part-time employees working at least 1,000 hours. Employer contributions under the Profit Sharing Plan are not defined and may vary from year to year. Although employer contributions are not defined in the Profit Sharing Plan, management currently anticipates they will utilize an 8% contribution rate. Benefits of the Profit Sharing Plan are limited to the plan assets. Profit sharing expense for the years ended December 31, 2020 and 2019 was approximately \$112,000 and \$108,000, respectively. No employee matching is required.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

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

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

**NOTE 7 - LIQUIDITY AND FUNDS AVAILABLE**

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,784,155	\$ 4,309,180
Restricted cash	50,000	50,000
Accounts receivable	312,207	518,338
Inventory	1,068,508	892,321
Investment	-	219,604
Beneficial interest in assets held by others	<u>259,466</u>	<u>230,873</u>
 Total financial assets	 5,474,336	 6,220,316
Less amounts not available to be used within one year:		
Cash restricted for capital improvements of the Complex	50,000	50,000
Board designated endowment not available for expenditure within one year	<u>259,466</u>	<u>219,329</u>
 Financial assets not available to be used within one year	 <u>309,466</u>	 <u>269,329</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 5,164,870</u>	 <u>\$ 5,950,987</u>

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

**NOTE 8 - NET ASSET COMPOSITION**

Net assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions		
Purpose or time restrictions:		
Special programs	\$ 17,202	\$ 17,202
Stand Beside Her tour	<u>1,762</u>	<u>1,762</u>
 Total purpose or time restrictions	 <u>18,964</u>	 <u>18,964</u>
 Total net assets with donor restrictions	 <u>\$ 18,964</u>	 <u>\$ 18,964</u>
Net assets without donor restrictions:		
Designated for National Teams endowment	\$ 259,466	\$ 230,873
Undesignated	<u>7,850,694</u>	<u>8,993,156</u>
 Total net assets without donor restrictions	 <u>\$ 8,110,160</u>	 <u>\$ 9,224,029</u>

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

**NOTE 9 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

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

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

In 2020, USA Softball received no distributions from and made no transfers to these funds. In 2019, USA Softball received distributions from these funds totaling \$7,041 and made transfers to these funds of \$7,041. At December 31, 2020 and 2019, the fair value of the funds held at OCCF was \$259,466 and \$230,873, respectively.

In addition to the funds discussed above, OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of USA Softball. These funds are not included as assets of USA Softball, as USA Softball has been designated as the recipient of all earnings of the donated funds, and are subject to the investment and distribution policies of OCCF. At December 31, 2020 and 2019, the fair value of the funds originally donated by third parties was approximately \$34,000 and \$29,000, respectively.

**NOTE 10 - ENDOWMENT DISCLOSURES**

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

***Interpretation of Relevant Law***

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

- The duration and preservation of the fund;
- The purposes of USA Softball and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

- The expected total return from income and the appreciation of investments;
- Other resources of USA Softball; and
- The investment policies of USA Softball.

Endowment net asset composition by type of fund as of December 31, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 259,466	\$ -	\$ 259,466
Total endowment funds	<u>\$ 259,466</u>	<u>\$ -</u>	<u>\$ 259,466</u>

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

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

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 230,873	\$ -	\$ 230,873
Change in value of beneficial interest	<u>28,593</u>	<u>-</u>	<u>28,593</u>
Endowment net assets, end of year	<u>\$ 259,466</u>	<u>\$ -</u>	<u>\$ 259,466</u>

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

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

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

**USA Softball, Inc. and Subsidiary**

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**December 31, 2020 and 2019**

assets are invested with OCCF whose investment policies emphasize preservation of capital, protection against inflation and a continuing source of income.

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

**NOTE 11 - FAIR VALUE MEASUREMENTS**

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

***Investment***

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

***Beneficial Interest in Assets Held by Others***

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

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 259,466	\$ 259,466
Total assets measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,466</u>	<u>\$ 259,466</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investment - Growth mutual fund	\$ 219,604	\$ -	\$ -	\$ 219,604
Beneficial interest in assets held by others	-	-	230,873	230,873
Total assets measured at fair value	<u>\$ 219,604</u>	<u>\$ -</u>	<u>\$ 230,873</u>	<u>\$ 450,477</u>

**USA Softball, Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

**NOTE 12 - SUBSEQUENT EVENTS**

On January 22, 2021, USA Softball received additional loan proceeds in the amount of \$425,900 under the PPP. USA Softball intends to use the proceeds for purposes consistent with the PPP. While USA Softball currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that management will not take actions that could cause USA Softball to be ineligible for forgiveness of the loan, in whole or in part.

USA Softball had no other subsequent events through August 24, 2021, which is the date the consolidated financial statements were available to be issued, requiring recording or disclosure in the consolidated financial statements for the year ended December 31, 2020.