# UNITED STATES CENTER FOR SAFESPORT

## Financial Statements
## and
## Independent Auditors' Report
## December 31, 2017 and 2016

EKS&H

UNITED STATES CENTER FOR SAFESPORT

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United States Center for SafeSport
Denver, Colorado

We have audited the accompanying financial statements of United States Center for SafeSport (a non-profit corporation), which are comprised of the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

To the Board of Directors
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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 United States Center for SafeSport as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Denver, Colorado
June 22, 2018

## UNITED STATES CENTER FOR SAFESPORT

### Statements of Financial Position

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 2,142,653 | $ 930,835 |
| Contributions receivable | - | 150,000 |
| Prepaid expenses and other assets | 60,113 | 94,344 |
| Total current assets | 2,202,766 | 1,175,179 |
| Non-current assets | | |
| Property and equipment, net | 29,832 | 10,224 |
| Capitalized software, net | 552,381 | 284,641 |
| Total non-current assets | 582,213 | 294,865 |
| Total assets | $ 2,784,979 | $ 1,470,044 |
| **Liabilities and Net Assets** | | |
| Current liabilities | | |
| Accounts payable | $ 51,223 | $ 142,604 |
| Accrued expenses | 182,975 | 91,195 |
| Deferred revenues | 1,588,380 | 269,100 |
| Total liabilities | 1,822,578 | 502,899 |
| Net assets | | |
| Unrestricted | 962,401 | 817,145 |
| Temporarily restricted | - | 150,000 |
| Total net assets | 962,401 | 967,145 |
| Total liabilities and net assets | $ 2,784,979 | $ 1,470,044 |

See notes to financial statements.

## UNITED STATES CENTER FOR SAFESPORT

### Statements of Activities

| | For the Years Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2017 | | | December 31, 2016 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | | |
| USOC grant and support | $ 1,370,120 | $ - | $ 1,370,120 | $ 1,070,000 | $ - | $ 1,070,000 |
| Contributions | 63,562 | - | 63,562 | 165,649 | 150,000 | 315,649 |
| In-kind contributions | - | - | - | 681,565 | - | 681,565 |
| NGB fees | 1,045,200 | - | 1,045,200 | - | - | - |
| Total revenues and support | 2,478,882 | - | 2,478,882 | 1,917,214 | 150,000 | 2,067,214 |
| Net assets released from restrictions | 150,000 | (150,000) | - | - | - | - |
| Total revenues and support | 2,628,882 | (150,000) | 2,478,882 | 1,917,214 | 150,000 | 2,067,214 |
| Expenses | | | | | | |
| Program services | 1,629,155 | - | 1,629,155 | 506,576 | - | 506,576 |
| Fundraising | 325,536 | - | 325,536 | 243,636 | - | 243,636 |
| General and administrative | 528,935 | - | 528,935 | 349,857 | - | 349,857 |
| Total expenses | 2,483,626 | - | 2,483,626 | 1,100,069 | - | 1,100,069 |
| Change in net assets | 145,256 | (150,000) | (4,744) | 817,145 | 150,000 | 967,145 |
| Net assets at beginning of year | 817,145 | 150,000 | 967,145 | - | - | - |
| Net assets at end of year | $ 962,401 | $ - | $ 962,401 | $ 817,145 | $ 150,000 | $ 967,145 |

See notes to financial statements.

## UNITED STATES CENTER FOR SAFESPORT

### Statements of Cash Flows

| | For the Years Ended December 31, 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (4,744) | $ 967,145 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| In-kind capitalized software contribution | - | (126,600) |
| Depreciation and amortization | 116,091 | - |
| Changes in operating assets and liabilities | | |
| Contributions receivable | 150,000 | (150,000) |
| Prepaid expenses and other assets | 34,231 | (94,344) |
| Accounts payable | (91,381) | 142,604 |
| Accrued expenses | 91,780 | 91,195 |
| Deferred revenues | 1,319,280 | 269,100 |
| Net cash provided by operating activities | 1,615,257 | 1,099,100 |
| Cash flows from investing activities | | |
| Additions to property and equipment | (25,222) | (10,224) |
| Additions to capitalized software | (378,217) | (158,041) |
| Net cash used in investing activities | (403,439) | (168,265) |
| Net increase in cash and cash equivalents | 1,211,818 | 930,835 |
| Cash and cash equivalents at beginning of year | 930,835 | - |
| Cash and cash equivalents at end of year | $ 2,142,653 | $ 930,835 |

See notes to financial statements.

## Note 1 - Organization and Summary of Significant Accounting Policies

### Organization

The United States Center for SafeSport (the "Center"), a non-profit corporation, was incorporated in the state of Colorado in 2014. The Center's objective is to develop a national safe sport program, standards, and policies in the United States that promote a safe and positive environment for athletes' physical, emotional, and social development that is free of sexual misconduct, emotional misconduct, physical misconduct, bullying, harassment, and hazing. The Center works to create a safe, strengthening environment for athletes by providing education and outreach services and response and resolution services.

The Center works to interface with the United States Olympic Committee ("USOC"), the National Governing Bodies ("NGBs"), Paralympic Sports Organizations ("PSOs"), U.S. sport organizations, public and governmental organizations, private entities, and athletes on issues related to the safe sport program, standards, and policies. The Center's responsibility is to develop and deliver education, awareness, and prevention programming and to promote research regarding sexual and other misconduct for the benefit of the USOC, NGBs, PSOs, U.S. sport organizations, and athletes. The Center is also responsible to provide for the fair, timely and independent investigation and adjudication of sexual and other misconduct allegations.

The Center's planned principal operations commenced during 2016 and were funded primarily by contributions and in-kind contributions from the USOC. Prior to commencing principal operations, the national safe sport program was an initiative of the USOC. Beginning in 2017, the principal operations of the Center are funded by required annual fees from NGBs, support from the USOC, and general contributions.

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

### Basis of Presentation

The Center follows Financial Accounting Standards Board ("FASB") guidance in Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Center's operations.
>
> Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

## Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently restricted amounts are assets that must be maintained permanently by the Center as required by donors, but the Center is permitted to use or expend part or all of any income derived from those assets. The Center did not have any permanently restricted net assets as of December 31, 2017 and 2016.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Contributions

In accordance with accounting standards, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Center. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. Restrictions met in the same period in which the related contributions are received are recorded as unrestricted support.

For the years ended December 31, 2017 and 2016, 55% and 99% of the Center's revenues were provided by one and two supporters, respectively.

Contributions Receivable

Unconditional contributions are recognized as revenues in the period the contribution is received. Contributions are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Center believes that the contributions receivable are fully collectible.

The Center had no contributions receivable as of December 31, 2017. As of December 31, 2016, 100% of the Center's contributions receivable were from one donor.

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

USOC Grant, NGB Fees, and Deferred Revenue

USOC grant and NGB fees are recognized as revenues when services have been exchanged. Deferred revenue consists of annual fees received from NGBs for programs and the USOC grant in which expenses will be incurred in the 2018 fiscal year. The revenue will be recognized in fiscal year 2018 when the services are provided and the related expenses are incurred.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, as such, is subject to federal income taxes on unrelated business income. The Center had no unrelated business income during the years ended December 31, 2017 and 2016.

The Center applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken, or expected to be taken, in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017 and 2016. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as administrative and general expense. No interest or penalties have been assessed as of December 31, 2017 and 2016.

Property and Equipment

Property and equipment obtained by the Center is recorded at cost or fair value of donation. Depreciation and amortization are provided on the straight-line method based upon the estimated useful lives for owned assets, which range from three to seven years, or the related lease terms for leasehold improvements. Construction in progress is not depreciated until construction is complete and the assets are placed in service.

Capitalized Software

Direct costs incurred in the development of software are capitalized once the preliminary project stage is completed, management has committed to funding the project, and completion and use of the software for its intended purpose are probable. The Center ceases capitalization of development costs once the software has been substantially completed and is ready for its intended use. Software development costs are amortized over their estimated useful lives of three years. Costs associated with upgrades and enhancements that result in additional functionality are capitalized. The software was completed and placed in service during 2017.

In-Kind Contributions of Goods and Services

*Goods*

In-kind contributions of goods are recorded at fair value on the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of goods are recorded as unrestricted support.

## Note 1 - Organization and Summary of Significant Accounting Policies (continued)

In-Kind Contributions of Goods and Services (continued)

*Services*

The Center received in-kind services as part of its shared services agreement that was in place through December 31, 2016 with the USOC (see Note 7). In-kind contributions of services are recorded at fair value of the service. There were no in-kind contributions during 2017.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services of fundraising and general and administrative.

Concentrations of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist of money market accounts and contributions receivable. The Center places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. As of December 31, 2017 and 2016, the Center's cash accounts exceeded federally insured limits by approximately $1,950,000 and $680,000, respectively.

Subsequent Events

The Center has evaluated all subsequent events through the auditors' report date, which is the date these financial statements were available to be issued, and has determined there were no events or material transactions requiring disclosure.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

## Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendment applies to all not-for-profit entities. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removed the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expiration of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Center is required to adopt the new standard in 2019 and may adopt either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption using one of two retrospective application methods.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition on the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available.

The Center is currently evaluating the impact of these standards on its financial statements.

## Note 2 - Contributions Receivable

Contributions receivable consist of one pledge in the amount of $300,000, of which $150,000 was collected during 2016, and the remaining $150,000 was collected during 2017.

## Note 3 - Property and Equipment

The Center's property and equipment comprised the following as of December 31, 2017 and 2016:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Leasehold improvements | $ 14,344 | $ 10,224 |
| Computers | 16,244 | - |
| Construction in progress | 4,858 | - |
| | 35,446 | 10,224 |
| Less accumulated depreciation | (5,614) | - |
| | $ 29,832 | $ 10,224 |

Depreciation expense for the years ended December 31, 2017 and 2016 was $5,614 and $0, respectively.

## Note 4 - Capitalized Software

The Center's capitalized software as of December 31, 2017 and 2016 is summarized as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Capitalized software | $ 662,858 | $ 284,641 |
| Less accumulated amortization | (110,477) | - |
| | $ 552,381 | $ 284,641 |

Amortization expense for the years ended December 31, 2017 and 2016 was $110,477 and $0, respectively.

## Note 5 - Contributed Goods and Services

Contributed goods and services are recorded as contributions at their estimated fair values on the date of donation. The contributed goods or services were all paid or provided by the USOC. In-kind contributions consisted of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| In-kind contributions | | |
| Salaries, wages, and benefits | $ - | $ 164,990 |
| Capitalized software | - | 126,600 |
| Professional services | - | 120,590 |
| Outside services | - | 109,166 |
| Insurance | - | 79,671 |
| Travel, conferences, and trainings | - | 71,744 |
| Other | - | 8,804 |
| Total in-kind contributions | - | 681,565 |
| In-kind capitalized software | - | (126,600) |
| Total in-kind expense | $ - | $ 554,965 |

## Note 6 - Operating Leases

The Center leases office space and a copier under non-cancelable operating lease agreements that require monthly payments totaling approximately $7,820. The office lease increases every 12 months over the term of the lease until expiration at October 31, 2023.

Amounts due under these lease agreements are as follows:

| For the Year Ending December 31, | |
|---|---|
| 2018 | $ 94,286 |
| 2019 | 96,980 |
| 2020 | 95,878 |
| 2021 | 97,888 |
| 2022 | 97,888 |
| Thereafter | 81,573 |
| Total | $ 564,493 |

## Note 7 - Related Party

The Center had a shared service agreement with the USOC whereby the USOC provided personnel, goods, facilities use, and services through December 31, 2016. All services provided under the shared service agreement were recorded by the Center as in-kind contributions and expenses or goods, which were capitalized.

The Center received contributions and in-kind contribution revenue from the USOC for the year ended December 31, 2016 of $1,070,000 and $681,565, respectively. As of December 31, 2016, the Center had accounts payable to the USOC of $142,604.

In March 2017, through amendment to the bylaws of the Center, the USOC was removed as the sole member of the Center and is no longer a related party.