United States Center for SafeSport

Financial Report

December 31, 2018

Contents

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

Independent Auditor's Report

To the Board of Directors
United States Center for SafeSport

We have audited the accompanying financial statements of United States Center for SafeSport (the "Center"), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 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 United States Center for SafeSport as of December 31, 2018 and its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Adoption of New Accounting Pronouncement

As described in Note 2 to the financial statements, the Center adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter. However, as part of our audit of the 2018 financial statements, we also audited the 2017 information added to the statement of functional expenses in conjunction with this adoption.

To the Board of Directors
United States Center for SafeSport

Report on Prior Year Financial Statements

The financial statements of United States Center for SafeSport as of December 31, 2017 were audited by EKS&H LLLP, whose report dated June 22, 2018 expressed an unmodified opinion on those statements.

Plante & Moran, PLLC

June 25, 2019

Statement of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 1,368,986	$ 2,142,653
Receivables:		
Accounts receivable	18,643	-
Current grants receivable	209,000	-
Prepaid expenses and other current assets	165,778	60,113
Total current assets	1,762,407	2,202,766
Grants Receivable - Net of current portion	25,000	-
Property and Equipment - Net (Note 4)	185,667	29,832
Capitalized Software - Net (Note 5)	795,840	552,381
Total assets	**$ 2,768,914**	**$ 2,784,979**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 191,134	$ 51,223
Accrued expenses (Note 6)	684,386	182,975
Deferred revenue	765,817	1,588,380
Total liabilities	1,641,337	1,822,578
Net Assets		
Net assets without donor restrictions	793,577	962,401
Net assets with donor restrictions	334,000	-
Total net assets	1,127,577	962,401
Total liabilities and net assets	**$ 2,768,914**	**$ 2,784,979**

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
USOC grant and support	$ 4,559,879	$ -	$ 4,559,879	$ 1,370,120	$ -	$ 1,370,120
NGB fees	1,054,950	-	1,054,950	1,045,200	-	1,045,200
Fees for service	116,648	-	116,648	-	-	-
Contributions	57,216	334,000	391,216	63,562	-	63,562
Other income	14,104	-	14,104	-	-	-
Net assets released from restrictions	-	-	-	150,000	(150,000)	-
Total revenue, gains, and other support	5,802,797	334,000	6,136,797	2,628,882	(150,000)	2,478,882
Expenses						
Program expenses	4,522,434	-	4,522,434	1,629,155	-	1,629,155
Support services:						
Fundraising	217,891	-	217,891	325,536	-	325,536
General and administrative	1,231,296	-	1,231,296	528,935	-	528,935
Total support services	1,449,187	-	1,449,187	854,471	-	854,471
Total expenses	5,971,621	-	5,971,621	2,483,626	-	2,483,626
(Decrease) Increase in Net Assets	(168,824)	334,000	165,176	145,256	(150,000)	(4,744)
Net Assets - Beginning of year	962,401	-	962,401	817,145	150,000	967,145
Net Assets - End of year	**$ 793,577**	**$ 334,000**	**$ 1,127,577**	**$ 962,401**	**$ -**	**$ 962,401**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2018
(with comparative totals for 2017)

	Program Services			Support Services				
	Response and Resolution	Education and Outreach	Total	Fundraising	General and Administrative	Total	2018	2017
Salaries and wages	$ 1,105,542	$ 396,412	$ 1,501,954	$ 90,631	$ 691,096	$ 781,727	$ 2,283,681	$ 837,581
Taxes and benefits	197,307	60,817	258,124	11,514	102,246	113,760	371,884	136,456
Total salaries and related expenses	1,302,849	457,229	1,760,078	102,145	793,342	895,487	2,655,565	974,037
Depreciation and amortization	1,929	291,514	293,443	64	989	1,053	294,496	116,091
Travel	35,842	26,987	62,829	4,794	50,772	55,566	118,395	113,687
Conference and meetings	3,879	13,810	17,689	3,318	13,708	17,026	34,715	14,318
Professional education	24	547	571	41	1,547	1,588	2,159	3,088
Dues and subscriptions	489	331	820	666	4,340	5,006	5,826	5,089
Office and supplies	62,249	35,692	97,941	2,041	53,271	55,312	153,253	35,964
Professional fees	1,605,612	253,542	1,859,154	77,796	251,847	329,643	2,188,797	891,737
Insurance	148,398	410	148,808	40	23,941	23,981	172,789	184,715
Rent	52,796	17,988	70,784	1,755	27,063	28,818	99,602	59,130
Software and maintenance	12,759	1,180	13,939	92	3,788	3,880	17,819	30,417
IT/Help desk/Telephone	19,020	174,290	193,310	24,406	5,838	30,244	223,554	52,643
Bank fees	-	3,068	3,068	733	850	1,583	4,651	2,710
Total functional expenses	**$ 3,245,846**	**$ 1,276,588**	**$ 4,522,434**	**$ 217,891**	**$ 1,231,296**	**$ 1,449,187**	**$ 5,971,621**	**$ 2,483,626**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 165,176	$ (4,744)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	294,496	116,091
Loss on disposal of property and equipment	34,925	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Contributions receivable	-	150,000
Grants receivable	(234,000)	-
Accounts receivable	(18,643)	-
Prepaid expenses and other assets	(105,665)	34,231
Accounts payable	139,911	(91,381)
Accrued expenses	501,411	91,780
Deferred revenues	(822,563)	1,319,280
Net cash and cash equivalents (used in) provided by operating activities	(44,952)	1,615,257
Cash Flows from Investing Activities		
Purchases of property and equipment	(194,398)	(25,222)
Additions to capitalized software	(534,317)	(378,217)
Net cash and cash equivalents used in investing activities	(728,715)	(403,439)
Net (Decrease) Increase in Cash and Cash Equivalents	(773,667)	1,211,818
Cash and Cash Equivalents - Beginning of year	2,142,653	930,835
Cash and Cash Equivalents - End of year	**$ 1,368,986**	**$ 2,142,653**

Note 1 - Nature of Business

United States Center for SafeSport (the "Center"), a nonprofit 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 for providing 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.

Note 2 - Significant Accounting Policies

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.

Classification of Net Assets

Net assets of the Center are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Center.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018 and retroactively applied to all periods presented, the Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Center, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. Under the new standard, the Center has elected to omit the presentation of a matrix of expenses by both nature and function and disclosures about liquidity and availability of resources for periods prior to the period of adoption. As required by the standard, the Center has presented information about 2017 expenses by natural classification, which have been added to the statement of functional expenses.

Cash and Cash Equivalents

The Center considers all investments with an original 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.

Grants Receivable

Grants receivable represent amounts due resulting from the performance of requirements under grant agreements. The Center considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Contributions

Unconditional promises to give cash and other assets to the Center are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional. The gifts are reported as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

USOC Grant, NGB Fees, and Deferred Revenue

USOC grant and NGB fees are recognized as revenue 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 following fiscal year. The revenue will be recognized in fiscal year 2019 when the services are provided and the related expenses are incurred.

For the years ended December 31, 2018 and 2017, 72 percent and 55 percent, respectively, of the Center's revenue were provided by one supporter.

For the year ended December 31, 2018, 100 percent of the grants receivable balance was provided by two supporters. The Center had no grants receivable as of December 31, 2017.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Center is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center, and has concluded that, as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value at the date 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. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Construction in progress is not depreciated until construction is complete and the assets are placed in service.

Capitalized Software Costs

The Center capitalizes significant costs incurred in the acquisition or development of software for internal use, including the costs of the software, materials, consultants, payroll, and payroll-related costs for employees incurred in developing internal use computer software once final selection of the software is made. Costs incurred prior to the final selection of software and costs not qualifying for capitalization are charged to expense. Capitalized software costs are amortized over their useful lives of three years.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs have been allocated between the various programs and support services on several bases and estimates. Costs have been assigned between the various programs and support services directly when possible (i.e., expenses directly attributable to specific programs and departments, such as most salaries, travel expenses, etc.); allocated based on employees' overall time spent on the functional areas and departments when not specifically identifiable (such as employees who work in more than one area); and allocated based on headcount (such as rent, office supplies, and expenses, etc.). Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Center's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Center plans to apply the standard using the modified retrospective method and has not yet determined the impact of the pending adoption of the new standard on the financial statements.

Note 2 - Significant Accounting Policies (Continued)

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Center's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Center's financial statements as a result of the Center's operating leases, as disclosed in Note 7, that will be reported on the statement of financial position at adoption. Upon adoption, the Center will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Center's year ending December 31, 2019 and will be applied on a modified prospective basis. The Center does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 25, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity

The Center has $1,596,629 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of $1,368,986 and receivables of $227,643 at December 31, 2018. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Center has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $995,000 at December 31, 2018. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017
Leasehold improvements	$ 138,092	$ 14,344
Furniture and fixtures	54,684	-
Computers	-	16,244
Construction in progress	-	4,858
Total cost	192,776	35,446
Accumulated depreciation	7,109	5,614
Net property and equipment	$ 185,667	$ 29,832

Depreciation expense for 2018 and 2017 was $3,638 and $5,614, respectively.

Note 5 - Capitalized Software

Capitalized software is summarized as follows:

	2018	2017
Capitalized software	$ 1,197,173	$ 662,857
Accumulated amortization	(401,333)	(110,476)
Net capitalized software	$ 795,840	$ 552,381

Amortization expense for 2018 and 2017 was $290,858 and $110,477, respectively.

Note 6 - Accrued Expenses

The following is the detail of accrued expenses:

	2018	2017
Accrued payroll	$ 301,214	$ 24,121
Accrued professional fees	136,884	53,650
Accrued bonus	96,953	79,500
Accrued vacation	87,385	-
Other accrued liabilities	61,950	25,704
Total	$ 684,386	$ 182,975

Note 7 - Operating Leases

The Center is obligated under noncancelable operating lease agreements, primarily for office space and a copier, that require monthly payments totaling approximately $16,800. The office lease increases every 12 months over the term of the lease until expiration in November 2025.

Note 7 - Operating Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2019	$ 198,867
2020	201,841
2021	203,959
2022	197,517
2023	200,243
Thereafter	383,798
Total	$ 1,386,225