United States Center for SafeSport

Financial Report

December 31, 2019

Contents

plante moran

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, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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, 2019 and 2018 and its changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the COVID-19 pandemic has impacted business operations. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

May 6, 2020

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Statement of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 2,442,117	$ 1,368,986
Receivables:		
Accounts receivable	140,675	18,643
Current grants receivable	113,004	209,000
Prepaid expenses and other current assets	179,754	165,778
Total current assets	2,875,550	1,762,407
Grants Receivable - Net of current portion	-	25,000
Property and Equipment - Net (Note 4)	224,450	185,667
Capitalized Software - Net (Note 5)	453,389	795,840
Total assets	**$ 3,553,389**	**$ 2,768,914**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 402,129	$ 191,134
Accrued expenses (Note 6)	382,507	684,386
Deferred revenue	80,812	765,817
Total liabilities	865,448	1,641,337
Net Assets		
Without donor restrictions	2,512,941	793,577
With donor restrictions	175,000	334,000
Total net assets	2,687,941	1,127,577
Total liabilities and net assets	**$ 3,553,389**	**$ 2,768,914**

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
USOPC grant and support	$ 7,531,312	$ -	$ 7,531,312	$ 4,559,879	$ -	$ 4,559,879
NGB fees	2,071,371	-	2,071,371	1,054,950	-	1,054,950
Federal grants	676,856	-	676,856	-	-	-
Fees for service	554,555	-	554,555	116,648	-	116,648
Contributions	28,286	150,000	178,286	57,216	334,000	391,216
Other income	27,572	-	27,572	14,104	-	14,104
Net assets released from restrictions	309,000	(309,000)	-	-	-	-
Total revenue, gains, and other support	11,198,952	(159,000)	11,039,952	5,802,797	334,000	6,136,797
Expenses						
Program expenses	7,604,895	-	7,604,895	4,522,434	-	4,522,434
Support services:						
Fundraising	108,074	-	108,074	217,891	-	217,891
General and administrative	1,766,619	-	1,766,619	1,231,296	-	1,231,296
Total support services	1,874,693	-	1,874,693	1,449,187	-	1,449,187
Total expenses	9,479,588	-	9,479,588	5,971,621	-	5,971,621
Increase (Decrease) in Net Assets	1,719,364	(159,000)	1,560,364	(168,824)	334,000	165,176
Net Assets - Beginning of year	793,577	334,000	1,127,577	962,401	-	962,401
Net Assets - End of year	**$ 2,512,941**	**$ 175,000**	**$ 2,687,941**	**$ 793,577**	**$ 334,000**	**$ 1,127,577**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services				Support Services		
	Audit and Compliance (for NGBs and USOPC)	Education and Outreach	Response and Resolution	Total	Fundraising	General and Administrative	Total
Compensation and benefits	$ 347,444	$ 685,205	$ 2,483,599	$ 3,516,248	$ 53,982	$ 1,116,716	$ 4,686,946
Travel	27,806	34,864	70,873	133,543	-	71,317	204,860
Professional fees	21,870	1,017,149	1,442,933	2,481,952	24,784	386,328	2,893,064
Technology	3,981	213,079	195,345	412,405	24,856	11,684	448,945
Professional education	-	90	903	993	-	4,169	5,162
Insurance	25,563	54,255	181,061	260,879	1,665	70,510	333,054
Depreciation and amortization	2,073	398,249	15,898	416,220	423	5,904	422,547
Rent	12,887	31,942	104,408	149,237	961	42,008	192,206
Office supplies and equipment	6,375	46,684	180,359	233,418	1,403	57,983	292,804
Total functional expenses	**$ 447,999**	**$ 2,481,517**	**$ 4,675,379**	**$ 7,604,895**	**$ 108,074**	**$ 1,766,619**	**$ 9,479,588**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Support Services		
	Response and Resolution	Education and Outreach	Total	Fundraising	General and Administrative	Total
Compensation and benefits	$ 1,302,848	$ 457,229	$ 1,760,077	$ 102,146	$ 793,342	$ 2,655,565
Travel	35,842	26,987	62,829	4,794	50,772	118,395
Professional fees	1,605,612	253,542	1,859,154	77,796	251,847	2,188,797
Technology	31,779	175,470	207,249	24,498	9,626	241,373
Professional education	24	547	571	41	1,547	2,159
Insurance	148,398	410	148,808	40	23,941	172,789
Depreciation and amortization	1,929	291,514	293,443	64	989	294,496
Rent	52,796	17,988	70,784	1,755	27,063	99,602
Office supplies and equipment	66,618	52,901	119,519	6,757	72,169	198,445
Total functional expenses	**$ 3,245,846**	**$ 1,276,588**	**$ 4,522,434**	**$ 217,891**	**$ 1,231,296**	**$ 5,971,621**

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 1,560,364	$ 165,176
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	422,547	294,496
Loss on disposal of property and equipment	-	34,925
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Grants receivable	(122,032)	(234,000)
Accounts receivable	120,996	(18,643)
Prepaid expenses and other assets	(13,976)	(105,665)
Accounts payable	210,995	139,911
Accrued expenses	(301,879)	501,411
Deferred revenue	(685,005)	(822,563)
Net cash and cash equivalents provided by (used in) operating activities	1,192,010	(44,952)
Cash Flows from Investing Activities		
Purchases of property and equipment	(67,729)	(194,398)
Additions to capitalized software	(51,150)	(534,317)
Net cash and cash equivalents used in investing activities	(118,879)	(728,715)
Net Increase (Decrease) in Cash and Cash Equivalents	1,073,131	(773,667)
Cash and Cash Equivalents - Beginning of year	1,368,986	2,142,653
Cash and Cash Equivalents - End of year	**$ 2,442,117**	**$ 1,368,986**

Note 1 - Nature of Business

United States Center for SafeSport (the "Center"), an independent nonprofit corporation, was incorporated in the State of Colorado in 2014. The Center's primary objective is the development and implementation of a national SafeSport program for athletes of all ages and abilities that promotes an environment free from sexual misconduct, emotional misconduct, physical misconduct, bullying, harassment, and hazing. This program includes standards, policies, and guidelines that focus on athletes' physical, emotional, and social development. The Center also works to improve the overall athletic experience by providing response and resolution services, audit and compliance services, education and training, outreach services, and abuse prevention tools and resources.

The Center primarily interfaces with the United States Olympic and Paralympic Committee (USOPC), the National Governing Bodies (NGBs), High-Performance Management Organizations (HPMOs), U.S. sport organizations, public and governmental organizations, private entities, and athletes on issues related to the SafeSport program. The Center's responsibility is to develop and deliver education, awareness, and abuse prevention programming; promote research; and develop best practices regarding the prevention of sexual and other misconduct for the benefit of the USOPC, NGBs, HPMOs, 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 audit and compliance team conducts regular and random audits of NGBs and the USOPC to ensure training is administered consistently and appropriately and policies and procedures are implemented correctly.

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

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.

Accounts Receivable

Accounts receivable represent amounts due from the NGBs for annual fees and amounts due from customers for trainings to be provided. The Center considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Revenue Recognition

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. Conditional promises to give are defined as those with a measurable performance or other barrier and a right of return. The gifts are reported as net assets with donor restrictions 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 activities and 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.

A portion of the Center's revenue is derived from cost-reimbursable federal grants, which are conditional upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of $3,855,934 and $2,263,834 that have not been recognized at December 31, 2019 and 2018, respectively, because qualifying expenditures have not yet been incurred.

Effective January 1, 2019, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): 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 Center elected to apply the new revenue recognition guidance using the modified retrospective approach. The adoption did not have a material impact to the financial statements, and the Center's revenue recognition practices were substantially unchanged as a result of applying ASU 2018-08.

Note 2 - Significant Accounting Policies (Continued)

The Center recognizes revenue from the annual fees charged to the NGBs. The Center has performance obligations to provide services throughout the year for response and resolution for investigations, to provide education and outreach, and to provide trainings throughout the year. Revenue is recognized ratably throughout the year as the services are performed. Revenue recognized over time in 2019 and 2018 related to annual fees was $2,071,371 and $1,054,950, respectively. A portion of the 2019 NGB fees were invoiced in November for the next calendar year. As the Center billed and collected cash prior to the satisfaction of the performance obligation, deferred revenue of $762,457 was recognized as of December 31, 2018. The 2020 NGB fees were not invoiced until 2020. Deferred revenue as of January 1, 2018 was $253,500. The HPMOs were billed for their annual fees in September 2019, and the balance of the deferred revenue as of December 31, 2019 was $17,955.

The Center recognizes fee-for-service revenue for trainings provided. Revenue is recognized at a point in time when the trainings are provided. Revenue recognized at a point in time in 2019 and 2018 for trainings was $554,555 and $116,648, respectively. Participants are required to register and pay before the training occurs. The Center recognized deferred revenue of $62,857 and $3,360 as of December 31, 2019 and 2018, respectively, related to fees received for trainings that had not been provided yet.

Effective January 1, 2019, the Center adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606*), which supersedes 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 Center elected to apply the new revenue recognition guidance using the modified retrospective approach. The adoption did not have a material impact to the financial statements, and the Center's revenue recognition practices were substantially unchanged as a result of applying ASU No, 2014-09.

For the years ended December 31, 2019 and 2018, 68 percent and 74 percent, respectively, of the Center's revenue was provided by one supporter.

For both the years ended December 31, 2019 and 2018, 100 percent of the Center's grants receivable balance was provided by two supporters.

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 Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that, as of December 31, 2019 and 2018, 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.

Note 2 - Significant Accounting Policies (Continued)

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 Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases (Topic 842),* which will supersede the current lease requirements in Accounting Standards Codification 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, 2021 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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 6, 2020, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. Subsequent to the statement of financial position date, the Center has seen a reduction in operations due to travel restrictions and canceled sporting events. This includes reduced number of NGB audits, fewer trainings, and a reduction in reports of abuse. All employees are able to work from home, and operations are continuing to the extent they can. In response to these changes, the Center has adjusted its operational plan and budget for 2020 in order to manage the potential loss of revenue that may result from the COVID-19 outbreak. The Center also applied for and was awarded $838,000 from the Small Business Administration Paycheck Protection Program loan through the Coronavirus Aid, Relief, and Economic Security Act to support staffing and rent costs. No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Center's activities, functional expenses, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Liquidity

The Center has $2,695,796 and $1,596,629 of financial assets available within one year of December 31 to meet cash needs for general expenditures consisting of cash of $2,442,117 and $1,368,986 and receivables of $253,679 and $227,643 as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, $150,000 and $100,000, respectively, 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 contributions receivable are subject to implied time restrictions but are expected to be collected within one year. 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:

	2019	2018
Leasehold improvements	$ 145,821	$ 138,092
Furniture and fixtures	54,684	54,684
Construction in progress	60,000	-
Total cost	260,505	192,776
Accumulated depreciation	36,055	7,109
Net property and equipment	$ 224,450	$ 185,667

Depreciation expense for 2019 and 2018 was $28,946 and $3,638, respectively.

Note 5 - Capitalized Software

Capitalized software is summarized as follows:

	2019	2018
Capitalized software	$ 1,248,323	$ 1,197,173
Accumulated amortization	(794,934)	(401,333)
Net capitalized software	$ 453,389	$ 795,840

Note 5 - Capitalized Software (Continued)

Amortization expense for 2019 and 2018 was $393,601 and $290,858, respectively.

Note 6 - Accrued Expenses

The following is the detail of accrued expenses:

	2019	2018
Accrued payroll	$ 131,185	$ 301,214
Accrued professional fees	-	136,884
Accrued bonus	91,970	96,953
Accrued vacation	136,921	87,385
Other accrued liabilities	22,431	61,950
Total	$ 382,507	$ 684,386

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 $20,000. The office lease increases every 12 months over the term of the lease until expiration in November 2025. The other leases expire at dates ranging from June 2020 to January 2023.

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

Years Ending December 31	Amount
2020	$ 229,921
2021	209,042
2022	202,600
2023	200,666
2024	200,243
Thereafter	183,556
Total	$ 1,226,028