



**USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION**

**Consolidated Financial Statements
& Supplemental Schedules**

For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Volleyball
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of USA Volleyball and USA Volleyball Foundation (non-profit organizations), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and of 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 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 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 of 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of USA Volleyball and USA Volleyball Foundation as of December 31, 2017 and 2016, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 18 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
March 30, 2018

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,354,875	\$ 4,169,117
Accounts receivable, net	3,332,858	2,174,911
Inventory	179,222	158,024
Deposits	14,500	14,500
Prepaid expenses	<u>713,400</u>	<u>611,033</u>
Total current assets	9,594,855	7,127,585
LONG-TERM INVESTMENTS	3,235,244	3,156,393
RESTRICTED CASH AND INVESTMENTS	351,339	301,324
PROPERTY AND EQUIPMENT, at cost:		
Land	471,141	471,118
Building and improvements	3,997,611	3,957,117
Office furniture	547,698	547,698
Office equipment	766,761	704,454
Program equipment	2,547,440	2,108,859
Less accumulated depreciation	<u>(4,030,027)</u>	<u>(3,536,499)</u>
Property and equipment, net	<u>4,300,624</u>	<u>4,252,747</u>
TOTAL ASSETS	<u>\$ 17,482,062</u>	<u>\$ 14,838,049</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,099,034	\$ 1,217,018
Accrued liabilities	356,986	584,999
Regional insurance fund	1,048,660	1,007,839
Deferred revenue	<u>5,786,509</u>	<u>5,237,158</u>
Total current liabilities	8,291,189	8,047,014
NET ASSETS:		
Unrestricted	8,815,047	6,465,224
Temporarily restricted	<u>375,826</u>	<u>325,811</u>
Total net assets	<u>9,190,873</u>	<u>6,791,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,482,062</u>	<u>\$ 14,838,049</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Consolidated Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Consolidated Totals</u>	<u>2016 Consolidated Totals</u>
SUPPORT AND REVENUE:				
Program & event participation fees	\$ 9,036,043	\$	\$ 9,036,043	\$ 9,452,984
Membership & insurance	7,059,625		7,059,625	6,873,332
Sponsorship, rights & donations, including value in kind	4,843,334		4,843,334	4,042,775
USOC grants, including value in kind	2,415,700		2,415,700	2,175,095
Tickets, subscriptions & other sales	2,337,548		2,337,548	2,635,732
Other programs	1,628,563		1,628,563	1,351,747
Housing royalties	1,492,316		1,492,316	1,211,980
Product and ball sales, less direct costs of \$58,232 and \$18,262	844,885		844,885	752,551
Host incentives	507,453		507,453	679,901
Investment income	413,467	39,100	452,567	103,355
Grants & contributions	78,397	15,915	94,312	136,981
Satisfied program restrictions	<u>5,000</u>	<u>(5,000)</u>		
Total support and revenue	<u>30,662,331</u>	<u>50,015</u>	<u>30,712,346</u>	<u>29,416,433</u>
EXPENSES:				
Program services:				
National teams	7,725,057		7,725,057	7,319,592
Domestic events	6,702,558		6,702,558	6,504,928
Region services	3,847,945		3,847,945	3,551,960
High performance development	3,845,995		3,845,995	4,027,346
International events & programs	<u>804,024</u>		<u>804,024</u>	<u>3,842,336</u>
Total program services	<u>22,925,579</u>		<u>22,925,579</u>	<u>25,246,162</u>
Supporting services:				
National headquarters	3,006,406		3,006,406	2,943,220
Sponsorship, marketing & public relations	1,912,385		1,912,385	1,966,966
Governance	423,238		423,238	621,836
Fundraising	<u>44,900</u>		<u>44,900</u>	<u>190,984</u>
Total supporting services	<u>5,386,929</u>		<u>5,386,929</u>	<u>5,723,006</u>
Total expenses	<u>28,312,508</u>		<u>28,312,508</u>	<u>30,969,168</u>
CHANGE IN NET ASSETS	2,349,823	50,015	2,399,838	(1,552,735)
NET ASSETS, beginning of year	<u>6,465,224</u>	<u>325,811</u>	<u>6,791,035</u>	<u>8,343,770</u>
NET ASSETS, end of year	<u>\$ 8,815,047</u>	<u>\$ 375,826</u>	<u>\$ 9,190,873</u>	<u>\$ 6,791,035</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2016 <u>Consolidated Totals</u>
SUPPORT AND REVENUE:			
Program & event participation fees	\$ 9,452,984	\$	\$ 9,452,984
Membership & insurance	6,873,332		6,873,332
Sponsorship, rights & donations, including value in kind	4,042,775		4,042,775
Tickets, subscriptions & other sales	2,635,732		2,635,732
USOC grants, including value in kind	2,175,095		2,175,095
Other programs	1,351,747		1,351,747
Housing royalties	1,211,980		1,211,980
Product and ball sales less direct costs of \$18,262	752,551		752,551
Host incentives	679,901		679,901
Grants & contributions	106,182	30,799	136,981
Investment loss	96,912	6,443	103,355
Satisfied program restrictions	<u>22,033</u>	<u>(22,033)</u>	
Total support and revenue	29,401,224	15,209	29,416,433
EXPENSES:			
Program services:			
National teams	7,319,592		7,319,592
Domestic events	6,504,928		6,504,928
High performance development	4,027,346		4,027,346
International events & programs	3,842,336		3,842,336
Region services	<u>3,551,960</u>		<u>3,551,960</u>
Total program services	25,246,162		25,246,162
Supporting services:			
National headquarters	2,943,220		2,943,220
Sponsorship, marketing & public relations	1,966,966		1,966,966
Governance	621,836		621,836
Fundraising	<u>190,984</u>		<u>190,984</u>
Total supporting services	<u>5,723,006</u>		<u>5,723,006</u>
Total expenses	<u>30,969,168</u>		<u>30,969,168</u>
CHANGE IN NET ASSETS	(1,567,944)	15,209	(1,552,735)
NET ASSETS, beginning of year	<u>8,033,168</u>	<u>310,602</u>	<u>8,343,770</u>
NET ASSETS, end of year	<u>\$ 6,465,224</u>	<u>\$ 325,811</u>	<u>\$ 6,791,035</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,399,838	\$ (1,552,735)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	499,735	454,814
Realized and unrealized gains on investments	(359,493)	(21,387)
(Increase) decrease in operating assets:		
Accounts receivable, net	(1,157,947)	669,394
Prepaid expenses	(102,367)	549,094
Inventory	(21,198)	(26,392)
Increase (decrease) in operating liabilities:		
Accounts payable	(117,984)	110,622
Accrued liabilities	(228,013)	68,146
Regional insurance fund	40,821	58,421
Deferred revenue	<u>549,351</u>	<u>(398,992)</u>
Total adjustments	<u>(897,095)</u>	<u>1,463,720</u>
Net cash provided (used) by operating activities	1,502,743	(89,015)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross proceeds from sale of long-term investments	705,000	9,829,519
Gross purchases of long-term investments	(424,358)	(9,893,435)
Increase in restricted cash and investments	(50,015)	(15,209)
Acquisition of property and equipment	<u>(547,612)</u>	<u>(389,860)</u>
Net cash used by investing activities	<u>(316,985)</u>	<u>(468,985)</u>
NET INCREASE (DECREASE) IN CASH	1,185,758	(558,000)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,169,117</u>	<u>4,727,117</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,354,875</u>	<u>\$ 4,169,117</u>

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizations

USA Volleyball (the Corporation), is a nonprofit corporation organized in 1928 and originally incorporated in the State of California in 1970, and re-incorporated in the State of Colorado in 2010. Effective December 31, 2010, the two corporations merged and the Colorado Corporation became the surviving entity. The principal purposes of the Corporation are to foster and conduct area, regional, state and national amateur instructional beach volleyball, indoor volleyball, and sitting volleyball programs and to represent the beach volleyball, indoor volleyball, and sitting volleyball interests of the nation to the United States Olympic Committee (USOC), to the Federation Internationale de Volleyball (FIVB) and to the World ParaVolley.

The Corporation is the National Governing Body of the sports of beach volleyball, indoor volleyball, and sitting volleyball. The Corporation recognizes and sets general policy for Regional Volleyball Associations (RVAs). These RVAs are separate legal entities whose operations are controlled by their own elected boards.

USA Volleyball Foundation (the Foundation) was incorporated as a nonprofit corporation in the State of Colorado on July 18, 1996. The purpose of the Foundation is to raise funds and acquire assets in order to encourage, improve, and promote volleyball in the United States by providing financial support to the Corporation and the RVAs.

The Corporation has a controlling financial interest over the Foundation, based on its organizational structure. According to ASC 958-810-25-2, a controlling financial interest over a related (but separate) nonprofit entity through sole-corporate membership requires consolidation. The entities are collectively referred to as the Organizations.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on internal records and estimates made by the Organizations' management.

Income Taxes

The Corporation and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, they are not subject to federal income tax on income related to their exempt purpose. Accordingly, no income tax provisions have been recorded.

The Corporation and Foundation's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date filed. Management of the Organizations believe that they do not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Organizations' checking, savings, and petty cash accounts. The Organizations maintain their cash and cash equivalents primarily at commercial banks. In the event of a bank failure, the Organizations might only be able to recover the amounts insured.

Supplemental Cash Flow Information

During the years ended December 31, 2017 and 2016, the Organizations paid interest of \$389 and \$13,722, respectively. The Organizations paid no income taxes.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. An allowance for doubtful accounts in the amount of \$346,549 is recorded at both December 31, 2017 and 2016.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method. The inventory consists of promotional and educational items for give-a-ways and e-commerce.

Prepaid Expenses and Deferred Charges

Event expenses paid for in a fiscal year prior to the occurrence of a scheduled event are deferred and recognized as expenses in the fiscal year in which such events occur.

Property and Equipment

Property and equipment consist of assets used in the operations of the Corporation. The Corporation capitalizes items that have a useful life greater than one year and exceed \$5,000 in cost. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation.

Depreciation is recorded using the straight-line method over an estimated life as follows:

	<u>Years</u>
Equipment	3-10
Furniture	5-10
Building improvements	10
Building	30

Depreciation expense was \$499,735 and \$454,814 for the years ended December 31, 2017 and 2016, respectively.

Compensated Absences

The Corporation has accrued amounts for accumulated compensated absences of employees. At December 31, 2017 and 2016, the balances of this accrual were \$306,231 and \$241,153, respectively.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind Revenue

Sponsorship income in the form of in-kind goods such as clothing and volleyballs are reported as revenue and expense in the fiscal year they are received.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2016, to conform with the presentation for the year ended December 31, 2017.

Date of Management's Review

In preparing the financial statements, Management of the Organizations has evaluated events and transactions for potential recognition or disclosure through March 30, 2018, the date the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Organizations apply Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Notes to Consolidated Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organizations have the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in investments	\$ 131,151	\$	\$	\$ 131,151
Mutual funds	3,454,782			3,454,782
USAVP stock			650	650
Total	<u>\$3,585,933</u>	<u>\$</u>	<u>\$ 650</u>	<u>\$3,586,583</u>

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in investments	\$ 200,532	\$	\$	\$ 200,532
Mutual funds	3,256,535			3,256,535
USAVP stock			650	650
Total	<u>\$3,457,067</u>	<u>\$</u>	<u>\$ 650</u>	<u>\$3,457,717</u>

USAVP Stock, a Level 3 input, had no activity during the years ended December 31, 2017 and 2016.

Notes to Consolidated Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

Investment income (loss) is recorded in the accompanying statement of activities and consists of the following for the years ended December, 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 93,074	\$ 81,969
Realized gains (losses) on investments	57,869	(260)
Unrealized gains	<u>301,624</u>	<u>21,646</u>
Investment income	<u>\$ 452,567</u>	<u>\$ 103,355</u>

C. DEFERRED REVENUE

Deferred revenue includes registration fees, deferred awards, and other fees from RVAs received in advance of the year in which they should be recognized.

At December 31, 2017 and 2016, deferred revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Region registrations	\$ 4,470,431	\$ 4,265,907
Tryout registrations	1,104,635	737,075
Event fees	101,784	135,756
Host city funding	60,000	70,000
Officials renewal fees	33,320	22,590
Clinic and seminar fees	14,980	2,240
Other	<u>1,359</u>	<u>3,590</u>
	<u>\$ 5,786,509</u>	<u>\$ 5,237,158</u>

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Education	\$ 101,675	\$ 89,582
Sitting Teams - Foundation	57,011	47,641
Orange County Youth Development	56,898	50,435
Women's National Team	35,610	31,191
Boy's Youth National Team	32,271	28,605
Men's Sitting Team - Corporation	24,487	24,487
Men's National Team	20,098	17,440
Women's Youth National Team	15,471	13,714

Notes to Consolidated Financial Statements

D. TEMPORARILY RESTRICTED NET ASSETS - Continued

Men's Junior National Team	11,810	10,469
Women's Junior National Team	7,993	7,085
Beach programs	4,779	2,235
Koorhan Memorial Fund	3,302	2,927
Officials development	2,857	
High performance - indoor	1,140	
Other programs - Deaflympics	<u>424</u>	<u></u>
	<u>\$ 375,826</u>	<u>\$ 325,811</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2017 and 2016, the following net assets were released from restrictions:

	<u>2017</u>	<u>2016</u>
Sitting teams	\$ 5,000	\$
Women's Youth National Team		13,821
Women's National Team		<u>8,212</u>
	<u>\$ 5,000</u>	<u>\$ 22,033</u>

E. RELATED PARTIES

During the years ended December 31, 2017 and 2016, the USOC provided grants to the Corporation under the following project categories:

	<u>2017</u>	<u>2016</u>
NGB funding	\$ 1,280,000	\$ 1,280,000
Other grants	523,700	282,095
Rights fees	300,000	300,000
Paralympic grants	237,650	230,300
International relations	<u>7,000</u>	<u>8,000</u>
	<u>\$ 2,348,350</u>	<u>\$ 2,100,395</u>

As part of the Corporation's agreement with the USOC, stipends are paid directly to athletes in the following categories:

	<u>2017</u>	<u>2016</u>
Beach	\$ 450,000	\$ 450,000
Indoor	450,000	450,000
Paralympic	<u>96,000</u>	<u>96,000</u>
	<u>\$ 996,000</u>	<u>\$ 996,000</u>

Notes to Consolidated Financial Statements

E. RELATED PARTIES - Continued

In addition to the amounts above, the USOC provided additional funding in the form of United Airlines value-in-kind, in the amount of \$67,350 and \$74,700, for the years ended December 31, 2017 and 2016, respectively. The USOC also provided \$75,000 of broadcasting support during the year ended December 31, 2017.

The Corporation is economically dependent upon grants from the USOC in order to maintain its programs at current levels.

F. INTERCOMPANY TRANSACTIONS

The Corporation receives grants from the Foundation and allocates certain expenses to the Foundation. These intercompany grants and the amounts owed to/from the Organizations have been eliminated in the consolidated financial statements.

G. RETIREMENT PLAN

The Corporation has a 403(b) retirement plan available to all eligible personnel. The plan enables employees to make contributions on either a tax deferred salary reduction basis or an after tax basis if the Roth provision is elected, of a percentage of their compensation. The Corporation matches contributions up to 8% of base compensation for employees who have made a voluntary contribution and have completed ninety days of employment. Employee contributions are immediately vested. Employer contributions are fully vested on the first day of the month following completion of two years of employment. Employer contributions under this plan were \$332,973 and \$336,839 for the years ended December 31, 2017 and 2016, respectively.

H. COMMITMENTS AND CONTINGENCIES

The Corporation has entered into annual agreements with its players that call for monthly stipends to the players in exchange for their participation on the Corporation's volleyball teams. These monthly stipends conform to USOC guidelines and policies. In addition to support payments paid to athletes directly by the USOC as discussed in Note E, for the years ended December 31, 2017 and 2016, the monthly stipends paid by the Corporation amounted to \$319,962 and \$312,721, respectively.

Notes to Consolidated Financial Statements

H. COMMITMENTS AND CONTINGENCIES - Continued

The Corporation also provides athlete transition funding for vested athletes who separate from the national teams. Eligible athletes become vested after four years of qualified participation. The Corporation has accrued \$350,950 and \$457,700 at December 31, 2017 and 2016, respectively, to pay these obligations. The Corporation incurred \$80,000 and \$280,250 of athlete transition funding expense for the years ended December 31, 2017 and 2016, respectively.

I. LEASES

The Corporation leases office space in Torrance, California, under an operating lease that started on November 1, 2013, and continues through February 28, 2021. In July, 2015, the lease was amended to include additional space. Under the amended terms, this lease requires monthly payments of \$9,766 through October, 2016, and increases each year in November according to the amended lease payment schedule.

The Corporation leases warehouse space in Colorado Springs under an operating lease commencing October 1, 2013 and continuing through September 30, 2023. This lease requires monthly payments of \$5,250 and increases each year according to the lease payment schedule. During 2015, the Corporation leased additional warehouse space commencing July 1, 2015, and continuing through September 30, 2023. This lease requires monthly payments of \$2,290 and increases each year according to the lease payment schedule.

The Corporation also sub-leases office space in Anaheim, California, under an operating lease through December 31, 2020. Initial base rent under this agreement is \$15,946 per month, with annual increases of 4%.

The Corporation leased residential space for members of the national teams under a rental agreement commencing June 1, 2009, and continuing for a period of seven years, expiring December 31, 2016. The agreement required monthly payments of \$11,642 through December 2016. This lease was fully reimbursed by the City of Anaheim; it was not renewed upon expiration.

Notes to Consolidated Financial Statements

I. LEASES - Continued

On July 1, 2017, the Corporation entered into a lease agreement with University of Central Oklahoma to lease eight apartments. The term of the lease shall expire December 31, 2020. The annual cost of the apartments is \$61,200, or \$5,100 per month. The rental rate may be increased annually to reflect increases in utility rates. The landlord agrees to notify the tenant by December 1 of each year of any increase to the rental rate due to utility costs.

Also, the Corporation has seven vehicle leases.

Future minimum payments under all of the above operating leases are as follows:

2018	\$	485,971
2019		500,703
2020		515,960
2021		132,808
2022		113,475
Future years		87,003

The Corporation leases a portion of its national headquarters to other national governing bodies for office space. The Corporation charges these entities rent equal to their pro-rata share of the building operating expenses.

J. AFFILIATES

The Corporation has trade receivables of \$14,267 and \$22,348 due from affiliates and RVAs at December 31, 2017 and 2016, respectively. The Corporation has trade accounts payable of \$1,640 and \$3,360 and Regional Insurance Fund payable of \$1,048,660 and \$1,007,839 due to RVAs as of December 31, 2017 and 2016, respectively.

K. LINE OF CREDIT

During the year ended December 31, 2011, the Corporation entered into an agreement to obtain a line of credit. The credit available to the Corporation was \$2,032,940 and \$2,202,352 as of December 31, 2017 and 2016, respectively. There was no outstanding balance at December 31, 2017 and 2016. The line of credit carries an interest rate of 4.00% on outstanding balances until December 1, 2021, when it will change to 4.75%, and has a maturity date of December 1, 2026.

Notes to Consolidated Financial Statements

K. LINE OF CREDIT - Continued

The maximum principal available on this line of credit is reduced by \$169,412 each year beginning on December 9, 2013. The line of credit stipulates that the Corporation must occupy at least 51% of the office property and maintain a minimum tangible net worth of \$1,100,000. The minimum tangible net worth requirement will increase by \$100,000 on December 1 of each year, beginning on December 1, 2017.

The Corporation's building is subject to a deed of trust dated December 9, 2011. The Corporation's business assets are components of the Corporation's borrowing base calculation, which governs the availability of future advances on the line of credit.

The Corporation's business assets are subject to a UCC filing lien related to this line of credit as prescribed by the commercial security agreement dated December 9, 2011.

L. DEFERRED COMPENSATION

The Corporation had a deferred compensation plan under section 457 of the Internal Revenue Service code covering its former Chief Executive Officer as of December 31, 2016. The assets of the plan were held in a custodial account for the benefit of the participant. The deferred compensation was paid to the participant subsequent to December 31, 2016.

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Schedule of Program Services
For the Year Ended December 31, 2017

	National Teams	Domestic Events	Region Services	High Performance Development	International Events & Programs	Total
Athlete prize money	\$ 361,456	\$	\$	\$	\$	\$ 361,456
Athlete support	319,962					319,962
Athlete transition	80,000					80,000
Audio and visual support		4,273				4,273
Awards		111,333		4,779	2,271	118,383
Bad debts				25		25
Bank and credit card fees	606	103,271	31,351	86,985	3,199	225,412
Building maintenance and improvements	2,658				199	2,857
Computer expense	102,320	63,299	196,453	67,120	500	429,692
Contract labor	283,568	636,593	180,271	668,296	43,017	1,811,745
Donations			10,000			10,000
Educational expense		1,100	3,895	55		5,050
Entry fees	400,500		700	7,190		408,390
Equipment	29,356	23,342	246	2,670	152	55,766
Equipment rental/maintenance	15,349	154,784		4,331		174,464
Equipment transportation		172,038		12,847	15,280	200,165
Event control committee					5,540	5,540
Event personnel and catering	117,446	123,234	309	87,503	27,366	355,858
Facilities		314,315		61,561	44,032	419,908
Flooring rental		105,553	6,757	4,300		116,610
Grants			227,328			227,328
Host fees	5,614	902,217	11,585	1,047,855	99,750	2,067,021
Housing	300,972	79,028		93,750	243,197	716,947
Insurance	12,790	8,367	1,517,024			1,538,181
Marketing and advertising				307	16,801	17,108
Medical	47,518	249,118			10,245	306,881
Merchandising	9,950	40,582				50,532
Miscellaneous	65,735	3,379	19,142	8,661	53,527	150,444
Moving and relocation	9,620					9,620
Officials fees	2,675	1,161,837	33,918	139,061	21,915	1,359,406
Officials training and rating team			51,353			51,353
Outreach	10,000	2,000				41,582
Passports and visas	27,355			6,486	722	34,563
Payroll, benefits and taxes	2,921,004	631,230	1,009,189	594,480	104,854	5,260,757
Photography		1,500		300	1,032	2,832
Postage, shipping and drayage	5,342	92,448	10,100	38,893	36,967	183,750
Printing and copies	6,328	34,157	10,700	7,903	1,730	60,818
Professional fees	2,048		293,354	5,576		300,978
Professional training and education	21,766	418	7,435			29,619
Promotions and gifts	16,673	13,679	10,211	5,060	6,901	52,524
Purchases - apparel/lettering	25,782	56,615	16,397	107,105	897	206,796
Rent and janitorial	379,156	84,929				464,085
Security		128,967		1,679		130,646
Sport science	84,874					84,874
Supplies	13,284	14,700	1,924	33,039	2,908	65,855
Telephone	14,202	6,548	5,788	7,658	617	34,813
Television and webcasting	29,329	21,307			500	51,136
Tournament scheduling		47,502				47,502
Travel, food and lodging	1,173,968	57,241	104,905	382,968	41,819	1,760,901
VIK usage	825,851	1,251,654	58,028	357,552	18,086	2,511,171
	<u>\$ 7,725,057</u>	<u>\$ 6,702,558</u>	<u>\$ 3,847,945</u>	<u>\$ 3,845,995</u>	<u>\$ 804,024</u>	<u>\$ 22,925,579</u>

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidated Schedule of Supporting Services
For the Year Ended December 31, 2017

	National Headquarters	Sponsorship, Marketing & Public Relations	Governance	Fundraising	Total
Archive project	\$ 649	\$	\$	\$	\$ 649
Assemblies			41,581		41,581
Audiovisual expense			28,360		28,360
Awards and grants			3,855		3,855
Background screening	1,129		683		1,812
Bad debts		31,529			31,529
Bank charges and interest	14,388	4,660	8	154	19,210
Board of directors meetings			28,803		28,803
Catering	28		16,984		17,012
Committee/commission expense			22,631		22,631
Computer expense	258,109	24,654			282,763
Contract labor			2,552		2,552
Depreciation expense	499,735				499,735
Dues and subscriptions	13,816	2,978			16,794
Equipment rental and maintenance		7,957	3,219		11,176
Event arbitrators			77,253		77,253
Housing - team and staff	140				140
Insurance	179,052	6,180		2,247	187,479
Investment management fees	2,638			22,197	24,835
Licensing		17,853			17,853
Marketing and advertising		6,520			6,520
Meetings			16,021		16,021
Miscellaneous expense	2,110	18,329			20,439
Moving and relocation expenses	15,036				15,036
Outreach	5,830				5,830
Payroll, benefits and taxes	1,465,786	783,811		18,332	2,267,929
Photography and articles		9,350			9,350
Postage and shipping	4,006	248,696	203	12	252,917
Printing and copies	22,049	209,451	427	3	231,930
Professional fees	152,207	46,505	114,040	1,069	313,821
Professional training/education	15,800	3,539			19,339
Promotion & gifts	27,309	31,686	1,659	280	60,934
Property	198,105				198,105
Purchases - apparel/lettering		11,790	250		12,040
Sponsor servicing		365,535	1,024		366,559
Supplies	10,373	239	2,160		12,772
Telephone	12,177	3,598	783		16,558
Television and webcasting		40,393			40,393
Travel, food and lodging	105,934	37,132	60,742	606	204,414
	<u>\$ 3,006,406</u>	<u>\$ 1,912,385</u>	<u>\$ 423,238</u>	<u>\$ 44,900</u>	<u>\$ 5,386,929</u>

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidating Statement of Financial Position
December 31, 2017

	USA Volleyball	USA Volleyball Foundation	Eliminating Entries	2017 Consolidated Totals
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 5,307,385	\$ 47,490	\$	\$ 5,354,875
Accounts receivable, net	3,332,858	10,000	(10,000)	3,332,858
Due from the USAVF	85,500		(85,500)	
Inventory	179,222			179,222
Deposits	14,500			14,500
Prepaid expenses	713,400			713,400
Total current assets	9,632,865	57,490	(95,500)	9,594,855
LONG-TERM INVESTMENTS	650	3,234,594		3,235,244
RESTRICTED CASH AND INVESTMENTS		351,339		351,339
PROPERTY AND EQUIPMENT, at cost:				
Land	471,141			471,141
Building and improvements	3,997,611			3,997,611
Office furniture	547,698			547,698
Office equipment	766,761			766,761
Program equipment	2,547,440			2,547,440
Less accumulated depreciation	(4,030,027)			(4,030,027)
Property and equipment, net	4,300,624			4,300,624
TOTAL ASSETS	\$ 13,934,139	\$ 3,643,423	\$ (95,500)	\$ 17,482,062
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 1,109,034	\$ 85,500	\$ (95,500)	\$ 1,099,034
Accrued liabilities	356,986			356,986
Lines of credit				0
Regional insurance fund	1,048,660			1,048,660
Deferred revenue	5,786,509			5,786,509
Total current liabilities	8,301,189	85,500	(95,500)	8,291,189
NET ASSETS:				
Unrestricted	5,608,463	3,206,584		8,815,047
Temporarily restricted	24,487	351,339		375,826
Total net assets	5,632,950	3,557,923		9,190,873
TOTAL LIABILITIES AND NET ASSETS	\$ 13,934,139	\$ 3,643,423	\$ (95,500)	\$ 17,482,062

See Notes to Consolidated Financial Statements

USA VOLLEYBALL
USA VOLLEYBALL FOUNDATION
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	USA Volleyball	USA Volleyball Foundaton	Eliminating Entries	2017 Consolidated Totals
SUPPORT AND REVENUE:				
Program & event participation fees	\$ 9,036,043	\$	\$	\$ 9,036,043
Membership & insurance	7,059,625			7,059,625
Sponsorship, rights & donations, including value in kind	4,843,334			4,843,334
USOC grants, including value in kind	2,415,700			2,415,700
Tickets, subscriptions & other sales	2,337,548			2,337,548
Other programs	1,628,563			1,628,563
Housing royalties	1,492,316			1,492,316
Product and ball sales, less direct costs of \$58,232	844,885			844,885
Host incentives	507,453			507,453
Investment income	10,715	441,852		452,567
Grants & contributions	51,671	42,641		94,312
USAVF grants	<u>176,000</u>		<u>(176,000)</u>	
Total support and revenue	30,403,853	484,493	(176,000)	30,712,346
EXPENSES:				
Program services:				
National teams	7,725,057	5,000	(5,000)	7,725,057
Domestic events	6,702,558			6,702,558
Region services	3,847,945			3,847,945
High performance development	3,845,995			3,845,995
International events & programs	<u>804,024</u>			<u>804,024</u>
Total program services	22,925,579	5,000	(5,000)	22,925,579
Supporting services:				
National headquarters	3,006,406			3,006,406
Sponsorship, marketing & public relations	1,912,385			1,912,385
Governance	423,238			423,238
Fundraising	<u>19,352</u>	<u>196,548</u>	<u>(171,000)</u>	<u>44,900</u>
Total supporting services	<u>5,361,381</u>	<u>196,548</u>	<u>(171,000)</u>	<u>5,386,929</u>
Total expenses	<u>28,286,960</u>	<u>201,548</u>	<u>(176,000)</u>	<u>28,312,508</u>
CHANGE IN NET ASSETS	2,116,893	282,945		2,399,838
NET ASSETS, beginning of year, as restated	<u>3,516,057</u>	<u>3,274,978</u>		<u>6,791,035</u>
NET ASSETS, end of year	<u>\$ 5,632,950</u>	<u>\$ 3,557,923</u>	<u>\$</u>	<u>\$ 9,190,873</u>

See Notes to Consolidated Financial Statements