

USA TEAM HANDBALL
Financial Statements
For the Year Ended December 31, 2020



TABLE OF CONTENTS

Independent Auditor's Report	1
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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Team Handball
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Team Handball (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Team Handball as of December 31, 2020, and the changes in its net assets and its cash flows for the year then in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note G, in March 2020, the World Health Organization declared a pandemic related to a fast-spreading novel strain of coronavirus. The outbreak caused significant global disruption in commercial and noncommercial activities. The disruption has had a significant impact on the financial performance of USA Team Handball; however, the ultimate impact of this global concern cannot be determined. Our opinion is not modified with respect to this matter.

McMillen & Company, PLLC

Colorado Springs, Colorado
June 4, 2021

USA TEAM HANDBALL
Statements of Financial Position
For the Year Ended December 31, 2020

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 264,689
Prepaid expenses	24,650
Inventory	<u>1,200</u>
Total current assets	290,539
OFFICE SOFTWARE AND EQUIPMENT:	
Office software and equipment	3,507
Less accumulated depreciation	<u>(3,315)</u>
Office software and equipment - net	<u>192</u>
TOTAL ASSETS	<u>\$ 290,731</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 11,005
Due to USOPC	5,000
Accrued liabilities	<u>29,593</u>
Total current liabilities	45,598
NET ASSETS:	
Net assets without donor restrictions	228,925
Net assets with donor restrictions	<u>16,208</u>
Total net assets	<u>245,133</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 290,731</u>

See Notes to Financial Statements

USA TEAM HANDBALL
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE:			
USOPC grants	\$ 167,675	\$ 16,208	\$ 183,883
Corporate sponsorship	177,500		177,500
IHF funding	137,451		137,451
USOPC digital media agreement	50,000		50,000
Paycheck Protection Program	37,743		37,743
Membership income	20,457		20,457
Value-in-kind	11,589		11,589
Other income	6,482		6,482
Merchandise sales	909		909
Contributions	822		822
Fundraising events	781		781
Interest & dividends	29		29
Total revenue	611,438	16,208	627,646
EXPENSES:			
Program expenses	95,349		95,349
Supporting services:			
General & administrative	253,690		253,690
Total expenses	349,039		349,039
CHANGE IN NET ASSETS	262,399	16,208	278,607
NET ASSETS (DEFICIENCY), beginning of year	(33,474)		(33,474)
NET ASSETS, end of year	<u>\$ 228,925</u>	<u>\$ 16,208</u>	<u>\$ 245,133</u>

See Notes to Financial Statements

USA TEAM HANDBALL
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program Expenses</u>	<u>General & Administrative</u>	<u>Total Expenses</u>
Salaries	\$ 24,875	\$ 138,807	\$ 163,682
Professional fees	17,500	30,646	48,146
Promotion & advertising	24,939	270	25,209
Coaching development	21,000		21,000
Insurance		19,615	19,615
Rent		14,708	14,708
Payroll taxes		12,835	12,835
Membership fees		9,586	9,586
Employee benefits		9,448	9,448
Travel	3,563	3,569	7,132
Safe Sport		5,977	5,977
Contract labor	3,000		3,000
Telephone		2,372	2,372
Miscellaneous		2,306	2,306
Bank charges		1,693	1,693
Dues & subscriptions		1,212	1,212
Postage		646	646
Depreciation	457		457
Supplies & equipment	15		15
	<u>\$ 95,349</u>	<u>\$ 253,690</u>	<u>\$ 349,039</u>

See Notes to Financial Statements

USA TEAM HANDBALL
Statements of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 278,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	457
(Increase) decrease in operating assets:	
Accounts receivable	8,000
Prepaid expenses	(19,450)
Inventory	(1,200)
Increase (decrease) in operating liabilities:	
Accounts payable	(4,802)
Due to USOPC	5,000
Accrued liabilities	<u>(46,459)</u>
Total adjustments	<u>(58,454)</u>
Net cash provided by operating activities	<u>220,153</u>
NET INCREASE IN CASH	220,153
CASH AND CASH EQUIVALENTS, beginning of year	<u>44,536</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 264,689</u>

See Notes to Financial Statements

USA TEAM HANDBALL
Notes to Financial Statements
For the Year Ended December 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Team Handball (the Organization) is the national governing body for team handball, making it responsible for the promotion and development of the sport in the United States. During the period July 1, 2019, to December 31, 2019, the Organization changed its fiscal year-end from June 30 to December 31.

Method of Accounting

The financial statements of USA Team Handball have been prepared on the accrual basis of accounting.

Basis of Presentation

The financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America (GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
- Net assets with donor restrictions: net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other purposes specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

USA Team Handball
Notes to Financial Statements
December 31, 2020

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Organization'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 they were filed. Management of the Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Organization's checking and savings accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year-end, if any, will be immaterial. Therefore, no allowance for doubtful accounts is considered necessary.

Depreciation

Items with greater than one-year useful life and costs greater than \$500 are capitalized. Assets are recorded at cost or fair market value if donated and depreciated using the straight-line method over estimated useful lives.

Revenue Recognition

The Organization's revenue recognition policies, modified after the adoption of the Financial Accounting Standard Board's (FASB) ASC Topic 606, *Revenue from Contracts with Customers*, are as follows:

- Event and sponsorship revenue - event and sponsorship revenues are recognized in the amount that reflects the consideration that the Organization is entitled to in exchange for substantially fulfilling performance obligations specific to each event or contract. Sponsorships and event revenues are recognized as revenue in the period in which the Organization satisfies its performance obligation to its sponsors and event participants. The Organization's performance obligations for sponsorship revenue are to provide promotion and advertising opportunities as arranged under each contract. The Organization's performance obligation for event revenue is to hold a specified event.
- Membership dues - membership dues revenue is recognized in the amount that reflects the consideration that the Organization is entitled to in exchange for providing membership services. Dues are recognized as revenue in the period in which the Organization satisfies its performance obligation to its members. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer, as defined by ASC 606. The Organization's performance obligation for membership dues revenue is to provide membership services and benefits accessible only to its members.

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. However, restricted contributions are reported as an increase in unrestricted net assets if the restriction is satisfied in the same reporting period in which the support is recognized.

In-kind Revenue

Corporate sponsorship income in the form of in-kind goods, such as apparel and equipment, and some qualifying services are reported as revenue and expense in the fiscal year they are received. For the year ended December 31, 2020, in-kind services received amounted to \$11,589, which is included in corporate sponsorship in the accompanying statement of activities.

Functional expenses

The financial statements report certain categories of expenses that are attributable to program or supporting services of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services made by the Organization's management.

Use of Estimates in Preparation of Financial Statements

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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Supplemental Cash Flow Information

During the year ended December 31, 2020, the Organization did not pay any interest or income taxes.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 4, 2021, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The

USA Team Handball
Notes to Financial Statements
December 31, 2020

Organization has cash and cash equivalents as a current source of liquidity at its disposal.

In addition to currently held financial assets available to meet general expenditures over the next 12 months, the Organization operates under a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>
Cash and cash equivalents	\$ 264,689
Total	<u>\$ 264,689</u>

C. NET ASSETS WITH DONOR RESTRICTIONS: TEMPORARY IN NATURE

Net assets with donor restrictions at December 31, 2020, consist of donations restricted for the following purposes or timing:

	<u>2020</u>
High Performance Program	\$ 16,027
Total	<u>\$ 16,207</u>

D. RELATED PARTY TRANSACTIONS

The United States Olympic & Paralympic Committee (USOPC) provided grants to the Organization as follows for the year ended December 31, 2020:

	<u>2020</u>
Governance and management grants	\$ 125,000
COVID-19 grant	32,415
Grassroots grant	15,000
Communication grant	9,400
Other	<u>2,068</u>
Total	<u>\$ 183,883</u>

USA Team Handball
Notes to Financial Statements
December 31, 2020

In 2013, the Organization entered into a digital media agreement with the USOPC. The term of the agreement was extended through December 31, 2020. In addition to the amounts above, the Organization received \$50,000 during the year ended December 31, 2020, under this agreement.

The Organization receives significant economic benefits from grants provided by the USOPC and International Handball Federation (IHF) in order to enhance its programs to current levels.

E. ALLEVIATION OF GOING CONCERN

In prior years, including the short fiscal period ending December 31, 2019, the Organization had experienced operating losses and had a net deficiency in assets of \$33,474 at December 31, 2019. This factor as well as the Organization's dependency on grants from USOPC and IHF indicated substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements were available to be issued. Since May 2020, Management and the Board of Directors began aggressively pursuing new revenue sources, particularly sponsorships, to reduce the net deficiency in assets and establish an adequate cash reserve. Those pursuits substantially improved the Organization's operating activities and financial position. In 2020, the Organization returned to positive cash flows with net assets of \$245,133 at December 31, 2020. Management projects that all cash needs will be met throughout fiscal year 2021.

As a result, the doubts about the Organization's ability to continue as a going concern were alleviated at December 31, 2020.

F. LEASE

Beginning August 1, 2019, the Organization entered into a lease arrangement with El Pomar Foundation, Inc. for 395 square feet of office space and 418 square feet of shared common areas. The new lease requires the Organization to pay \$6.58 per square foot through December 31, 2021 with an option for renewal. It is noted that the fair value of the space is \$15.36 per square foot and El Pomar Foundation will donate the difference in fair value and lease rate charged to the Organization.

USA Team Handball
Notes to Financial Statements
December 31, 2020

Future minimum lease payments under the new lease for office space are as follows for the years ending December 31:

2021	\$	5,346
2022		5,346

G. COVID-19 PANDEMIC, PAYCHECK PROTECTION PROGRAM, AND SUBSEQUENT EVENT

In March 2020, the World Health Organization declared a pandemic related to a fast-spreading novel strain of coronavirus. As a result of the global attention and concern arising from this disease (COVID-19), many event organizers and governments have taken appropriate measures to limit the spread of the disease, such as postponing or cancelling events. Impacts to the Organization include disruptions or restrictions on the Organization's ability to perform services and/or conduct events, which could inhibit its ability to secure sponsorships and other funding. Furthermore, the financial impacts of COVID-19 on the Organization's sponsors and grantors are unknown. Management continues to evaluate options for appropriate response to this global concern within the context of its operations and events.

In May of 2020, the Organization acquired a federal loan in the amount of \$37,602 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, further amended by the Paycheck Protection Program Flexibility Act. The PPP provides loans to qualifying businesses for amounts up to two months of the average monthly payroll expenses plus an additional 25% of that amount, subject to limitations. The loans and accrued interest are forgivable after 24 weeks if the borrower uses the loan proceeds for qualified purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels at certain prescribed levels. The amount of loan forgiveness would have been reduced if the borrower terminated employees or reduced salaries below the prescribed level during the 24-week period. During the year ended December 31, 2020, the Organization satisfied the forgiveness requirements of the program. Therefore, it has recorded the revenue in the year ended December 31, 2020, applying provisions of ASC 958-605.

In December 2020, Congress passed the Consolidated Appropriations Act, which included the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act. This legislation

USA Team Handball
Notes to Financial Statements
December 31, 2020

allowed for additional funding under the PPP for certain entities. Subsequent to the year ended December 31, 2020, the Association received additional support of \$32,855 under the modified PPP, which it expects to use for purposes that would result in forgiveness of the loan.

Management continues to evaluate options for an appropriate response to this global concern within the context of its operations and events. However, the ultimate impact of the COVID-19 outbreak is unknown.