USA TEAM HANDBALL

Financial Statements

For the Year Ended June 30, 2019

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McMillen & Company, PLLC
Certified Public Accountants

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 June 30, 2019, 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 audits. 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.

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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 June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note D to the financial statements, the Organization has a deficiency in unrestricted net assets and an ongoing uncertainty in outlook that raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding New Accounting Pronouncements

As described in Note A to the financial statements, for the year ended June 30, 2019, USA Team Handball adopted Accounting Standards Update (ASU) 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.

Emphasis of Other 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 may have a significant impact on future financial performance of the Organization; 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
July 20, 2020

USA TEAM HANDBALL

Statements of Financial Position

June 30, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 52,116	$ 108,984
Accounts receivable	400	768
Grants receivable	18,500	
Prepaid expenses	10,191	5,501
Total current assets	81,207	115,253
OFFICE SOFTWARE AND EQUIPMENT:		
Office software and equipment	3,507	3,507
Less accumulated depreciation	(2,630)	(2,173)
Office software and equipment - net	877	1,334
TOTAL ASSETS	$ 82,084	$ 116,587

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES:		
Accounts payable	$ 25,420	$ 46,682
Accrued liabilities	84,251	92,627
Total current liabilities	109,671	139,309
LOANS FROM OFFICERS		
Total liabilities	109,671	139,309
NET ASSETS:		
Net assets without donor restrictions	(27,587)	(44,813)
Net assets with donor restrictions		22,091
Total net assets	(27,587)	(22,722)
TOTAL LIABILITIES AND NET ASSETS	$ 82,084	$ 116,587

See Notes to Financial Statements

USA TEAM HANDBALL

Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
REVENUE:				
USOC grants	$ 104,367	$	$ 104,367	$ 24,493
Events	81,313		81,313	115,614
Contributions	73,322		73,322	127,477
Membership dues, net	61,092		61,092	56,599
USOC digital media agreement	50,000		50,000	61,075
Value-in-kind	46,765		46,765	61,712
Other income	38,320		38,320	22,081
Corporate sponsorship	31,750		31,750	73,475
USATHF grants	25,000		25,000	28,900
Merchandise sales	688		688	401
Interest & dividends	7		7	5
Coaching grants				37,601
Other grant				2,532
Satisfied program restrictions	22,091	(22,091)		
Total revenue	534,715	(22,091)	512,624	611,965
EXPENSES:				
Program expenses	404,424		404,424	507,679
Supporting services:				
General & administrative	113,065		113,065	132,287
Total expenses	517,489		517,489	639,966
CHANGE IN NET ASSETS	17,226	(22,091)	(4,865)	(28,001)
NET ASSETS (DEFICIENCY), beginning of year	(44,813)	22,091	(22,722)	5,279
NET ASSETS (DEFICIENCY), end of year	$ (27,587)	$	$ (27,587)	$ (22,722)

See Notes to Financial Statements

USA TEAM HANDBALL

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Expenses	General & Administrative	Total Expenses
Salaries	$ 86,921	$ 38,612	$ 125,533
Travel	121,974	5,263	127,237
Insurance	36,589		36,589
National team	80,016		80,016
Professional fees		26,063	26,063
Contract labor	4,200	12,575	16,775
Miscellaneous		9,394	9,394
IT expense	7,000	1,152	8,152
Payroll taxes	4,617	2,427	7,044
Meals	5,055	623	5,678
Referee expenses	4,430		4,430
Employee benefits	2,804	1,473	4,277
Dues and subscriptions		3,919	3,919
Board meetings		3,871	3,871
Bank charges		3,632	3,632
Membership fees		2,247	2,247
Facility rental	421	910	1,331
Supplies	1,143	76	1,219
Postage	125	660	785
Depreciation	457		457
Registrations and fees	450		450
Telephone		168	168
Uniforms, including VIK	46,998		46,998
	$ 404,424	$ 113,065	$ 517,489

See Notes to Financial Statements

USA TEAM HANDBALL

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (4,865)	$ (28,001)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	457	283
(Increase) decrease in operating assets:		
Accounts receivable	368	(368)
Grants receivable	(18,500)	
Travel advances		127
Prepaid expenses	(4,690)	(2,802)
Increase (decrease) in operating liabilities:		
Accounts payable	(21,262)	32,163
Accrued liabilities	(8,376)	18,796
Unused coaches grant payable		37,399
Deferred USOC revenue		(25,000)
Total adjustments	(52,003)	60,598
Net cash provided (used) by operating activities	(56,868)	32,597
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of software and equipment		(1,617)
Net cash used by investing activities		(1,617)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in loans from officers*		(51,555)
Net cash used by financing activities		(51,555)
NET DECREASE IN CASH	(56,868)	(20,575)
CASH AND CASH EQUIVALENTS, beginning of year	108,984	129,559
CASH AND CASH EQUIVALENTS, end of year	$ 52,116	$ 108,984

* Contains $51,555 of forgiven loan principal for the year ended June 30, 2018

See Notes to Financial Statements

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.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented except for the presentation of prior year expenses according to their natural classification which is allowable under transition guidance for ASU 2016-14. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.

- The unrestricted net asset class has been renamed net assets without donor restrictions.

- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.

- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ (44,813)	$
Net assets without donor Restrictions		(44,813)
Temporarily restricted Net assets	22,091	
Net assets with donor Restrictions		22,091
Total net assets	$ (22,722)	$ (22,722)

New Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard implements a single, comprehensive framework for recognition of all revenue earned from customers. The topic's framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For certain entities, assuming that an entity does not invoke implementation extensions allowed due to COVID-19 (Note G), including the Organization, the standard is effective for fiscal years beginning after December 15, 2018. The Organization is evaluating its impact on its financial statements.

In June 2018, the FASB issued standard ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides a more robust framework for determining whether an entity should account for a transaction as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Authoritative Pronouncements Not Yet Adopted - continued

For certain entities, assuming that an entity does not invoke implementation extensions allowed due to COVID-19 (Note G), including the Corporation, the standard is effective for fiscal years beginning after December 15, 2018. The Organization is evaluating its impact on its financial statements.

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 events 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.

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 statements of activities.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 losses on balances outstanding at year-end 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.

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.

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. 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. 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax

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 form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 20, 2020, the date that the financial statements were available to be issued.

Supplemental Cash Flow Information

During the years ended June 30, 2019 and 2018, the Organization did not pay any interest or income taxes.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The 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 June 30, 2019 and 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2019	2018
Cash and cash equivalents	$ 52,116	$ 108,984

B. AVAILABLE RESOURCES AND LIQUIDITY – Continued

Accounts receivable	400	768
Grants receivable	18,500	
Total	$ 71,016	$ 109,752

C. RELATED PARTY TRANSACTIONS

The United States Olympic & Paralympic Committee (USOPC) provided grants to the Organization as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Governance and management grants	$ 81,667	$ 10,000
Streaming and production	16,500	7,000
Administrative grant	5,000	
Coaching support and other	1,200	2,493
Matching grants		5,000
	$ 104,367	$ 24,493

In 2013, the Organization entered into a digital media agreement with the USOPC. The term of the agreement was extended through December 31, 2020. The Organization received

$50,000 and $61,075 during the years ended June 30, 2019 and 2018, respectively.

The USA Team Handball Foundation (USATHF) provided the Organization with grants of $25,000 and $28,900 for the years ended June 30, 2019 and 2018, respectively.

The Organization receives significant economic benefits from grants provided by the USOPC and the USATHF in order to enhance its programs to current levels.

During the year ended June 30, 2015, two board members loaned the Organization $40,000 each. One loan was interest free and was originally to be paid back when the Organization had adequate funds. The other loan was put on a personal credit card and the Organization reimbursed the board member for the interest. There were no formal agreements in place for either of the loans. Both loans are unsecured. During the year ended June 30, 2018, both loans were forgiven and the remaining balances of $51,555 have been recognized as contribution income by the Organization.

C. RELATED PARTY TRANSACTIONS - Continued

During the year ended June 30, 2018, the Organization's volunteer Director of Beach Handball established a for-profit entity, which he owns personally, to organize, promote, and manage a Beach Handball event. During the year ended June 30, 2018, the Organization provided total support of $31,548 for this entity to conduct the event. The support provided was funded through contributions and other support received by the Organization in support of Beach programs, which were recognized as revenue during the year ended June 30, 2018.

D. GOING CONCERN

As reflected in the accompanying statement of financial position, the Organization had a deficiency of net assets without donor restrictions at June 30, 2018 of $44,813 and positive net assets with donor restrictions of $22,091. For the year ended June 30, 2019, the Organization has a deficiency of net assets without donor restrictions of $27,587.

In order to reduce the deficiency of net assets noted in previous years and ongoing deficiency in net assets, Management and the Board of Directors are pursuing the following actions:

- Members of the Board of Directors have been actively seeking contributions.

- Improved internal processes and maintained financial records in a timely manner.

- Adopted a budget by the Board of Directors and closely monitored it in comparison to actual expenditures and have taken steps to prevent cost overruns.

- Have been actively exploring other sources of revenue including corporate sponsorship and grants.

- Reduced administration expenses.

With continued pursuit of the actions listed above, Management and the Board of Directors continue to strive for improvement in the economic outlook of the Organization.

E. LEASE

Beginning September 1, 2016, USA Team Handball entered into a lease arrangement with the USOPC for 140 square feet of office space. This lease arrangement was most recently renewed beginning March 1, 2019, ending on May 31, 2019, at which point the Organization moved its offices to a different location in Colorado Springs, Colorado.

During the year ended June 30, 2019, the lease rate was $6.50 per square foot per year with annual increases not to exceed the regional consumer price index. Also, the lease requires an allocated cost of $3.25 per square foot per year for a percentage of common space. USOC will waive the common space obligation, but it will recognize the expense obligation as a grant to USA Team Handball.

USA Team Handball also agrees to pay the following operating expenses:

- IT services – $96 per employee per month
- Copier – by usage at $0.02 per black and white copy, $0.09 per color copy.
- Other incremental services to be billed at cost.

Subsequent to June 30, 2019, 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.

Future minimum lease payments under the new lease for office space are as follows for the years ending December 31 (Note F- change in fiscal year end):

2019	$ 2,229
2020	5,350
2021	5,350

F. NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are available for the following purpose:

	2019	2018
Coaches' salaries	$	$ 22,091

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended June 30, 2019, temporary restrictions of $22,091 were met through the payment of coaches' compensation.

G. SUBSEQUENT EVENTS

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. Potential 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. Management expects significant negative impact, as a result of this pandemic, on its operations and financial performance. However, the ultimate impact of the COVID-19 outbreak is unknown.

In May 2020, the Organization acquired a 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. 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

G. SUBSEQUENT EVENTS - Continued

loan forgiveness will be reduced if the borrower terminates employees or reduces salaries below the prescribed level during the 24-week period. The Organization intends to use the proceeds for purposes consistent with the PPP. Therefore, it expects that the loan will be forgiven in 2020 and it will report the Organization's amount, to the extent it is forgiven, as nontaxable income.

Also, subsequent to the year ended June 30, 2019, the Organization changed its fiscal year end to December 31, effective as of December 31, 2019.