skr+co
STOCKMAN KAST RYAN + COMPANY

USA BASKETBALL
AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended September 30, 2021

And

Independent Auditors' Report

USA BASKETBALL AND SUBSIDIARY

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skr+co
STOCKMAN KAST RYAN + COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Basketball and Subsidiary

We have audited the accompanying consolidated financial statements of USA Basketball and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 the Organization as of September 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited USA Basketball's 2020 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

February 4, 2022

USA BASKETBALL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,865,463	$ 3,587,208
Investments	38,248,532	30,381,862
Accounts receivable	945,309	53,724
Inventories	986,611	1,401,581
Other current assets	94,899	4,999,637
Total current assets	43,140,814	40,424,012
PROPERTY AND EQUIPMENT, NET	3,642,905	3,758,290
TOTAL	$ 46,783,719	$ 44,182,302
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,099,224	$ 457,511
Deferred revenue	1,259,778	7,060,105
Current portion of note payable		213,000
Conditional grant		540,600
Total current liabilities	3,359,002	8,271,216
NET ASSETS WITHOUT DONOR RESTRICTIONS	43,424,717	35,911,086
TOTAL	$ 46,783,719	$ 44,182,302

See notes to consolidated financial statements.

USA BASKETBALL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021	2020
REVENUE		
Licensing and marketing – National Teams	$ 15,475,647	$ 7,606,307
Investment income	7,671,292	2,113,957
Licensing and funding – Youth Division	3,479,837	646,498
Support from United States Olympic Committee	1,384,877	1,246,822
In-kind contributions	1,343,668	824,069
Men's Junior National Teams Program Funding	150,000	709,092
Sanctions and letters of clearance fees	108,411	116,058
Other	685,109	151,797
Total revenue	30,298,841	13,414,600
EXPENSES		
Program services:		
Events:		
Senior National Team – Men	7,096,193	267,705
Senior National Team – Women	4,461,631	1,722,702
Olympic Qualifying Team – 3X3	1,694,656	
Olympic and World Cup Qualifying Teams – Men	1,119,613	703,273
3X3 Championships and Other 3X3 Events	1,057,129	647,717
Olympic Qualifying Team – Women	861,281	751,917
U18/U19 FIBA Championships – Women	699,727	166,518
U16/U17 FIBA Championships – Men	649,343	169,366
U18/U19 FIBA Championships – Men	640,945	215,452
Americup – Women	615,961	
U16/U17 FIBA Championships – Women	615,654	175,208
Junior National Teams – Men	41,581	892,023
Hoop Summit – Men	4,259	122,062
Youth Division	1,410,095	1,949,902
Other program services	48,759	31,394
Total program services	21,016,827	7,815,239

See notes to consolidated financial statements.

USA BASKETBALL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021	2020
Supporting services:		
General and administrative	$ 1,577,897	$ 749,549
Fundraising	190,486	725,671
Total supporting services	1,768,383	1,475,220
Total expenses	22,785,210	9,290,459
CHANGE IN NET ASSETS	7,513,631	4,124,141
NET ASSETS, Beginning of year	35,911,086	31,786,945
NET ASSETS, End of year	$ 43,424,717	$ 35,911,086

See notes to consolidated financial statements.

USA BASKETBALL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021				
	Program Services	General and Administrative	Fundraising	Total	2020 Total
EXPENSES					
Events and programs	$ 16,461,352			$ 16,461,352	$ 3,504,730
Salaries and benefits	3,435,277	$ 722,618	$ 135,743	4,293,638	3,998,032
Commissions		644,392	17,106	661,498	454,875
Communications and digital platform	320,067	67,327	12,647	400,041	462,794
Professional fees	300,859	40,148	7,542	348,549	258,956
Insurance	181,509	38,181	7,172	226,862	131,581
Building expense	94,618	19,903	3,739	118,260	116,113
Depreciation and amortization	92,318	19,419	3,648	115,385	155,586
Office expense	59,388	12,492	2,347	74,227	66,687
Dues	41,863			41,863	39,471
Travel expense	13,726	2,887	542	17,155	45,517
Meetings		9,481		9,481	29,303
Other	15,850	1,049		16,899	26,814
TOTAL	$ 21,016,827	$ 1,577,897	$ 190,486	$ 22,785,210	
PERCENTAGE OF TOTAL	92%	7%	1%	100%	
COMPARATIVE TOTALS - 2020	$ 7,815,239	$ 749,549	$ 725,671		$ 9,290,459
PERCENTAGE OF TOTAL - 2020	84%	8%	8%		100%

See notes to consolidated financial statements.

USA BASKETBALL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	$ 7,513,631	$ 4,124,141
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(7,106,433)	(1,537,526)
Depreciation and amortization	115,385	155,586
Changes in operating assets and liabilities:		
Accounts receivable	(891,585)	678,677
Inventories	414,970	(567,490)
Other current assets and deposits	4,904,738	(548,837)
Accounts payable and accrued liabilities	1,641,713	(1,871,108)
Deferred revenue	(5,800,327)	769,502
Conditional grant	(540,600)	540,600
Net cash provided by operating activities	251,492	1,743,545
INVESTING ACTIVITIES		
Purchases of investments	(11,436,336)	(2,027,627)
Proceeds from sales of investments	10,676,099	2,051,050
Purchases of property and equipment		(34,080)
Net cash used in investing activities	(760,237)	(10,657)
FINANCING ACTIVITIES		
Net cash used in financing activities— Principal payments on note payable	(213,000)	(213,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(721,745)	1,519,888
CASH AND CASH EQUIVALENTS, Beginning of year	3,587,208	2,067,320
CASH AND CASH EQUIVALENTS, End of year	$ 2,865,463	$ 3,587,208

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — USA Basketball is the national governing body for the sport of basketball and was established for the development of amateur basketball and international competition in the United States. USA Basketball is the United States member of Federation Internationale de Basketball (FIBA), the international governing body for basketball.

USA Basketball Foundation (the Foundation) was organized to support to purposes and mission of USA Basketball. USA Basketball is the sole member of the Foundation.

Principles of Consolidation – The consolidated financial statements include USA Basketball and its subsidiary, the Foundation (collectively, the Organization). All intercompany accounts and transactions have been eliminated.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash Equivalents — All highly liquid temporary investments maturing within three months of their acquisition are considered to be cash equivalents.

Investments — The Organization records its investments at fair value in the consolidated statement of financial position with gains and losses included in the consolidated statement of activities. See Note 5 for more information on the fair values of investments.

Accounts Receivable — Accounts receivable are stated at the invoiced or contract amount. Accounts receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Inventories — Inventories are stated at the lower of cost (if contributed, fair value on the date of the contribution) or net realizable value, principally on a first-in, first-out basis. Inventories consist primarily of equipment and apparel.

Property and Equipment — All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided on property and equipment over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Building	39 years
Office furniture and equipment	3 - 10 years

The Organization measures its property and equipment for impairment when certain indicators arise.

Licensing Fees — Licensing fees under the Organization 's licensing and marketing agreements (see Note 4) are receivable in installments and are recorded as revenue during the period in which the installment is due. The related expenses are recorded as incurred.

Contributions — Contributions received are recorded as with or without donor restriction support depending on the existence and nature of any donor restrictions. When a donor-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 consolidated statement of activities as net assets released from restrictions. In-kind contributions consist primarily of apparel and are recognized at the fair value of the goods received.

Use of Estimates — The preparation of the Organization's consolidated 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes — For Federal income tax purposes, 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 taxes. The Organization believes that it does not have any uncertain tax positions that are material to the consolidated financial statements.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the consolidated financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of September 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date because of contractual restrictions. Amounts not available include net assets with donor restrictions.

	2021	**2020**
Cash and cash equivalents	$ 2,865,463	$ 3,587,208
Investments	38,248,532	30,381,862
Accounts receivable	945,309	53,724
Total	$ 42,059,304	$ 34,022,794

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its cash flow through monthly analysis of budgeted expenses compared to cash and cash equivalents.

3. FUNCTIONAL EXPENSES ALLOCATION METHODS

The Organization maintains its accounting records on the basis of natural expense classifications and accordingly, certain categories of expenses that are attributable to one or more program or supporting services. Therefore, expenses that are allocated include wages and related benefits, occupancy costs, insurance and other expenses which are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services.

4. LICENSING AND MARKETING AGREEMENTS WITH NBA PROPERTIES, INC.

The Organization has licensing and marketing agreements with NBA Properties, Inc. (NBAP), whereunder NBAP engages in marketing and promotional activities on behalf of the Organization. NBAP is an affiliated entity of the National Basketball Association (NBA), an active member of the Organization and a related party. Also, certain employees of the NBA serve on the Board of Directors of the Organization. The contracts arranged by NBAP under the agreements permit the use by the licensees of the Organization's name and marks and the likenesses of certain basketball players who participate on the Organization's teams. The Organization records the income under these contracts as licensing and marketing – national teams revenue in the accompanying consolidated statement of activities. During year ended September 30, 2017, the Organization and NBAP entered into a new licensing and marketing agreement which expires on December 31, 2024. During the years ended September 30, 2021 and 2020, revenue from NBAP totaled $15,475,647 and $7,606,307, respectively. As of September 30, 2021, the Organization had $503,471 in accounts receivable due from NBAP. No amounts were due as of September 30, 2020.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization has placed funds with the United States Olympic Endowment (the USOE) and with an investment management company. The Organization invests in investment securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in the Organization's consolidated financial statements.

The Organization is required to use 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in equity and fixed income mutual funds and exchange traded funds (ETF) are priced at quoted prices in active markets.

The Organization's investment in the USOE portfolio is valued at fair value using the net asset value of the portfolio provided by the USOE. Certain alternative investments within the USOE portfolio are stated at the estimated fair values of the underlying investments, based on quoted market prices and fair values as estimated by the managers of the related investments.

The Organization may terminate its investment agreement with the USOE effective at the end of any calendar month upon the giving of at least 90 days written notice or upon shorter notice acceptable to the USOE if the USOE determines that adequate liquidity exists in the portfolio to permit early termination.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021:				
U.S. Olympic Endowment portfolio	$ 12,017,968		$ 12,017,968	
International equity mutual fund	8,942,082	$ 8,942,082		
Domestic equity mutual fund	7,361,122	7,361,122		
Fixed income mutual funds	6,372,571	6,372,571		
Equity ETF	3,554,789	3,554,789		
Total	$ 38,248,532	$ 26,230,564	$ 12,017,968	$ —
2020:				
U.S. Olympic Endowment portfolio	$ 9,112,618		$ 9,112,618	
International equity mutual fund	6,117,759	$ 6,117,759		
Domestic equity mutual fund	5,744,241	5,744,241		
Fixed income mutual funds	6,975,866	6,975,866		
Equity ETF	2,431,378	2,431,378		
Total	$ 30,381,862	$ 21,269,244	$ 9,112,618	$ —

As of September 30, 2021, the USOE portfolio consists of the following investments:

Domestic equities	30%
Private equity	18%
Alternative investments	17%
International equities	17%
Real assets	9%
Domestic bonds	6%
Cash and other	3%
Total	100%

The USOE alternative investments consist of hedge equity funds, limited partnerships, real estate funds, private equity funds, bond fund trusts, and funds of funds. As a group, the alternative investments invest in a variety of securities including, but not limited to, foreign and domestic publicly traded equity and debt securities, foreign and domestic fixed income investments, domestic commercial and residential real estate, options, warrants, derivatives and contracts.

The Organization's investment income consists of the following for the years ended September 30:

	2021	2020
Dividend and interest income	$ 564,859	$ 576,431
Net realized gains	3,581,101	667,318
Net unrealized gains	3,525,332	870,208
Investment income	$ 7,671,292	$ 2,113,957

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2021	2020
Buildings and improvements	$ 3,979,366	$ 3,979,366
Office furniture and equipment	108,571	108,571
Total	4,087,937	4,087,937
Less accumulated depreciation	445,032	329,647
Property and equipment, net	$ 3,642,905	$ 3,758,290

Depreciation expense was $115,385 and $155,586 for the years ended September 30, 2021 and 2020, respectively.

7. RETIREMENT PLAN

The Organization has a defined contribution pension plan covering substantially all employees. Contributions to the plan are equal to 16% of eligible salaries. Employees may also make after-tax voluntary contributions which, along with the Organization's contributions, are 100% vested. The Organization's contributions for the years ended September 30, 2021 and 2020 were $418,907 and $411,002, respectively.

8. CONCENTRATIONS

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash balances that periodically exceed FDIC limits. As of September 30, 2021 and 2020, approximately $2,700,000 and $2,500,000 of the Organization’s cash was uninsured, respectively.

During 2021 and 2020, revenue generated from sponsorship agreements negotiated by NBAP accounted for 51% and 57%, respectively, of the Organization's total revenue (see Note 4).

9. NOTE PAYABLE

During 2018, the Organization entered into a $639,000 promissory note payable to an outside organization in connection with the acquisition of a building. The note was unsecured and was interest free. The note was payable in annual payments of principal of $213,000 through 2021. As of September 30, 2021, the note was fully repaid.

10. CONDITIONAL GRANT

During the year ended September 30, 2020, the Organization received a $540,600 Paycheck Protection Program (PPP) Loan established by the CARES Act, and the Organization elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. If conditions are met, the amount of the refundable advance will be forgiven. During the year ended September 30, 2021, the entire loan was forgiven as conditions had been met during the year. The entire amount is included as other revenue in the consolidated statement of activities.