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USA BASEBALL  
Combined Financial Statements  
December 31, 2019 and 2018

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The Board of Directors  
USA Baseball  
Durham, North Carolina

## INDEPENDENT AUDITOR'S REPORT

We have audited the combined financial statements of United States Baseball Federation, Inc. and the Baseball America Foundation, Inc. (USA Baseball), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of USA Baseball as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Koonce, Wooten & Haywood, L.L.P.*

Raleigh, North Carolina  
April 10, 2020

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USA BASEBALL  
 Combined Statements of Financial Position  
 December 31, 2019 and 2018

ASSETS		2019	2018
<b>CURRENT ASSETS:</b>			
Cash	\$	2,270,223	\$ 3,973,651
Restricted Cash		322,919	287,770
Accounts Receivable		1,810,164	1,317,176
Inventories		634,970	517,408
Investments		1,990,871	1,239,983
Other Current Assets		267,945	200,884
Total Current Assets		7,297,092	7,536,872
PROPERTY AND EQUIPMENT, net		325,549	410,581
Total Assets	\$	7,622,641	\$ 7,947,453
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Bat Licensing Program	\$	793,752	\$ 930,342
Accounts Payable and Accrued Expenses		598,994	420,262
Deferred Revenue		224,494	196,705
Total Current Liabilities		1,617,240	1,547,309
<b>NET ASSETS:</b>			
Without Donor Restrictions		5,906,791	6,203,686
With Donor Restrictions		98,610	196,458
Total Net Assets		6,005,401	6,400,144
Total Liabilities and Net Assets	\$	7,622,641	\$ 7,947,453

The accompanying notes are an integral part of the combined financial statements.

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

USA BASEBALL  
Combined Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Bat Licensing Program Royalties	\$ 3,967,963	\$ -	\$ 3,967,963
Major League Baseball Funding	1,422,000	1,282,000	2,704,000
MLB/USAB Joint Events	2,700,177	-	2,700,177
Event Registration and Room Rebates	2,225,456	-	2,225,456
Merchandise Sales and Memorabilia	1,615,038	-	1,615,038
Prospect Development Pipeline	-	1,550,000	1,550,000
Sponsorship, Licensing, and Donations	761,791	-	761,791
Value In-Kind Donations	712,827	-	712,827
Ticket Sales	507,707	-	507,707
World Baseball Classic/P12 Tournament	410,000	-	410,000
MLB Professional Team	387,418	-	387,418
Bat Licensing Program Fines	100,000	-	100,000
Other Income	61,437	-	61,437
Membership Revenue	5,280	-	5,280
National Member Organization Revenue	3,000	-	3,000
Dividends and Interest	106,327	-	106,327
Net Realized and Unrealized Loss on Investments	286,030	-	286,030
Total	<u>15,272,451</u>	<u>2,832,000</u>	<u>18,104,451</u>
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	2,929,848	(2,929,848)	-
Total Revenues and Other Support	<u>18,202,299</u>	<u>(97,848)</u>	<u>18,104,451</u>
<b>EXPENSES AND DIRECT COSTS:</b>			
Expenses:			
Program Services	16,523,236	-	16,523,236
Management and General	1,074,205	-	1,074,205
Total Expenses	<u>17,597,441</u>	<u>-</u>	<u>17,597,441</u>
Direct Costs:			
Merchandise Sales	863,549	-	863,549
Card Sale Fundraiser	38,204	-	38,204
Total Direct Costs	<u>901,753</u>	<u>-</u>	<u>901,753</u>
Total Expenses and Direct Costs	<u>18,499,194</u>	<u>-</u>	<u>18,499,194</u>
CHANGES IN NET ASSETS	(296,895)	(97,848)	(394,743)
NET ASSETS--Beginning of Year - Restated	<u>6,203,686</u>	<u>196,458</u>	<u>6,400,144</u>
NET ASSETS--End of Year	<u>\$ 5,906,791</u>	<u>\$ 98,610</u>	<u>\$ 6,005,401</u>

The accompanying notes are an integral part of the combined financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,059,883	\$ -	\$ 5,059,883
1,400,000	1,250,000	2,650,000
2,506,219	-	2,506,219
2,269,539	-	2,269,539
1,651,949	-	1,651,949
-	450,000	450,000
756,093	-	756,093
680,683	-	680,683
563,556	-	563,556
-	-	-
-	-	-
3,100,000	-	3,100,000
94,350	-	94,350
5,183	-	5,183
3,000	-	3,000
31,631	-	31,631
(80,402)	-	(80,402)
<u>18,041,684</u>	<u>1,700,000</u>	<u>19,741,684</u>
<u>1,581,799</u>	<u>(1,581,799)</u>	<u>-</u>
<u>19,623,483</u>	<u>118,201</u>	<u>19,741,684</u>
14,455,855	-	14,455,855
<u>968,024</u>	<u>-</u>	<u>968,024</u>
<u>15,423,879</u>	<u>-</u>	<u>15,423,879</u>
865,739	-	865,739
<u>51,007</u>	<u>-</u>	<u>51,007</u>
<u>916,746</u>	<u>-</u>	<u>916,746</u>
<u>16,340,625</u>	<u>-</u>	<u>16,340,625</u>
3,282,858	118,201	3,401,059
<u>2,920,828</u>	<u>78,257</u>	<u>2,999,085</u>
<u>\$ 6,203,686</u>	<u>\$ 196,458</u>	<u>\$ 6,400,144</u>

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES



USA BASEBALL  
 Combined Statements of Functional Expenses  
 For the Years Ended December 31, 2019 and 2018

	2019		
	Program Services	Management and General	Total
<b>SALARIES AND EMPLOYEE RELATED EXPENSES:</b>			
Salaries	\$ 2,319,390	\$ 515,404	\$ 2,834,794
Employee Related Expenses	590,847	100,205	691,052
Total Salaries and Employee Related Expenses	<u>2,910,237</u>	<u>615,609</u>	<u>3,525,846</u>
<b>OPERATING EXPENSES:</b>			
Travel	4,537,549	9,640	4,547,189
Bat Licensing Program	2,317,684	-	2,317,684
Honorarium/Umpire Fees	1,313,006	-	1,313,006
Professional Services	1,147,145	163,955	1,311,100
Program Supplies	1,014,992	32,119	1,047,111
Rent:			
Playing Facilities	828,225	-	828,225
Office Facilities	143,794	31,954	175,748
Value In-Kind Donations	707,740	5,087	712,827
Insurance	380,068	39,926	419,994
World Baseball Classic/P12 Tournament Players	205,000	-	205,000
Postage and Shipping	270,603	1,738	272,341
Depreciation	149,755	40,422	190,177
Printing	141,053	4,426	145,479
Other	84,074	11,321	95,395
Promotions/Shows	86,903	5,544	92,447
Bank Service Charges	79,443	783	80,226
Telephone	46,934	16,016	62,950
Office Supplies and Utilities	45,234	16,602	61,836
BAF Awards	60,000	-	60,000
Meeting/Directors Expense	-	57,749	57,749
SafeSport	36,520	-	36,520
Accounting	-	15,410	15,410
MLB/USOC Relations	6,940	2,621	9,561
Medical and Safety	7,257	-	7,257
International Relations (IBAF/COPABE)	3,080	3,283	6,363
Total Operating Expenses	<u>13,612,999</u>	<u>458,596</u>	<u>14,071,595</u>
Total Functional Expenses	<u>\$ 16,523,236</u>	<u>\$ 1,074,205</u>	<u>\$ 17,597,441</u>

The accompanying notes are an integral part of the combined financial statements.

2018		
Program Services	Management and General	Total
\$ 1,919,854	\$ 453,990	\$ 2,373,844
465,114	85,933	551,047
<u>2,384,968</u>	<u>539,923</u>	<u>2,924,891</u>
3,467,255	13,624	3,480,879
2,802,841	-	2,802,841
1,161,549	-	1,161,549
1,217,599	127,843	1,345,442
846,981	29,564	876,545
690,956	-	690,956
136,782	32,345	169,127
670,639	10,044	680,683
291,725	21,185	312,910
194,057	3,390	197,447
126,184	39,734	165,918
80,158	2,697	82,855
37,211	9,666	46,877
88,451	7,837	96,288
70,230	3,253	73,483
35,628	14,490	50,118
59,377	26,060	85,437
-	51,940	51,940
82,259	-	82,259
-	16,237	16,237
980	15,007	15,987
1,562	-	1,562
8,463	3,185	11,648
<u>12,070,887</u>	<u>428,101</u>	<u>12,498,988</u>
<u>\$ 14,455,855</u>	<u>\$ 968,024</u>	<u>\$ 15,423,879</u>

USA BASEBALL  
 Combined Statements of Cash Flows  
 For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (394,743)	\$ 3,401,059
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	190,177	165,918
Net Realized and Unrealized (Gain) Loss on Investments	(286,030)	80,402
Changes in Operating Assets and Liabilities:		
Inventories	(117,562)	(56,297)
Accounts Receivable	(492,988)	(919)
Other Current Assets	(67,061)	(24,083)
Accounts Payable and Accrued Expenses	178,732	(36,615)
Deferred Revenue	27,789	35,377
Bat Licensing Program	(136,590)	(200,861)
Net Cash Provided (Used) by Operating Activities:	(1,098,276)	3,363,981
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(105,145)	(239,046)
Purchases of Investments	(713,810)	(727,021)
Proceeds from Sale of Investments	248,952	645,588
Net Cash Used by Investing Activities:	(570,003)	(320,479)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(1,668,279)	3,043,502
CASH AND RESTRICTED CASH--Beginning of Year	4,261,421	1,217,919
CASH AND RESTRICTED CASH--End of Year	\$ 2,593,142	\$ 4,261,421

The accompanying notes are an integral part of the combined financial statements.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies

A. Nature of Operations:

The United States Baseball Federation, Inc. (the Federation) was incorporated in the state of Michigan in 1965 and acts as the national governing body for the sport of baseball in compliance with the Amateur Sports Act of 1978 and the Constitution and Bylaws of the United States Olympic & Paralympic Committee. The Federation is supported primarily through sponsorships, donations, ticket and merchandise sales, event registrations, and Major League Baseball. The Baseball America Foundation, Inc. (the Foundation) was established in 1985 in the state of New Jersey for the purpose of managing and administering the funds given by the Los Angeles Olympic Organization Committee to the Federation.

The Federation and the Foundation are collectively referred to herein as USA Baseball (USAB).

B. Basis of Presentation:

The combined financial statements have, in all material respects, been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). U.S. GAAP also requires not-for-profit organizations to classify resources into two net asset categories according to externally-imposed restrictions. Accordingly, net assets of USAB and changes therein are classified and reported as follows:

Without Donor Restrictions--Net assets that are not subject to externally-imposed restrictions.

With Donor Restrictions--Net assets subject to externally-imposed restrictions that may or will be met either by actions of USAB and/or the passage of time. Also, net assets subject to externally-imposed stipulations that they be maintained permanently by USAB.

The combined financial statements include the accounts of the Federation and the Foundation. All significant interagency accounts and transactions have been eliminated in combination.

C. Accounting Estimates:

The preparation of combined financial statements in conformity with U.S. GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Contributions and Other Revenue:

Annual contributions and grants are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, USAB reports the support as without donor restrictions. Contributions are recognized as revenue in the period the commitment is received.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. At December 31, 2019 and 2018, there were no unconditional promises to give.

Grants and other contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities and changes in net assets as net assets released from restrictions.

Gifts of land, building, and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, USAB reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Revenue from usage fees and other income are recognized as revenue when the service is provided.

E. Cash and Cash Equivalents:

For the purposes of the combined statement of cash flows, USAB considers cash and highly liquid cash investments with an original maturity of three months or less to be cash equivalents. Restricted cash represents funds that have been designated for a specific purpose and time. All restricted cash is held in escrow for the Youth Baseball Bat Licensing Program (see Note 12).

A reconciliation of cash and restricted cash as shown in the combined statement of cash flows is as follows:

	2019	2018
Current Assets:		
Cash	\$ 2,270,223	\$ 3,973,651
Restricted Cash	322,919	287,770
	\$ 2,593,142	\$ 4,261,421

F. Investments:

Investments in marketable securities with readily determinable fair values are reported at their fair values in the combined statement of financial position. Fair value is based on quoted market prices. Net realized gains and losses and changes in net unrealized market gains and losses are determined by comparing cost to proceeds and fair value, respectively. Realized gains and losses on the sale of investments are determined using the specific identification method.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies (Continued)

G. Inventories:

Inventories are stated at the lower of cost or net realizable value and are accounted for on a first in, first out basis. All donated inventories are recorded at fair market value.

H. Accounts Receivable:

Accounts receivable results primarily from the accrual of sponsorships and licensing revenue. A provision for doubtful accounts has not been established as management considers all accounts receivable at year-end to be collectable.

I. Property and Equipment:

Property and equipment is recorded at cost or estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years. Acquisitions of property and equipment in excess of \$1,000 and with a useful life over one year are capitalized.

J. Impairment of Long-Lived Assets:

USAB reviews the carrying value of long-lived assets for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amounts of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the excess of the carrying amount over the fair value of the assets. Based on management's assessment of long-lived assets, there was no impairment for the years ended December 31, 2019 or 2018.

K. Advertising:

USAB follows the policy of charging the costs of advertising to expense as incurred. Advertising costs were \$92,447 and \$96,288 for the years ended December 31, 2019 and 2018, respectively, and are recorded as a part of promotions/shows expense.

L. Functional Expenses:

The costs of providing the program and supporting services of USAB are included in the combined statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by USAB management.

M. Income Taxes:

The Federation and the Foundation have been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business income. In addition, USAB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) for the Federation and Section 509(a)(1) for the Foundation.

It is USAB's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the benefit of any certain tax position should be recognized in the period the change occurs. USAB has concluded that as of December 31, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the combined financial statements.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies (Concluded)

USAB files its Form 990 series tax returns in the U.S. Federal jurisdiction and with the North Carolina Department of Revenue. USAB's tax returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines. USAB's state tax returns for the same years are subject to examination by state authorities for similar time periods.

2. Cash Concentrations

At December 31, 2019 and 2018 and at various times throughout the years then ended, USAB maintained cash balances with financial institutions in excess of Federal Deposit Insurance Corporation insured limits. Uninsured funds were \$2,207,800 and \$4,050,355 at December 31, 2019 and 2018, respectively.

3. Donated Goods

Donated goods are valued at fair market value. USAB received \$712,827 and \$680,683 of noncash contributions of goods during the years ended December 31, 2019 and 2018, respectively.

4. Property and Equipment

Property and equipment consist of the following:

	2019	2018
Furniture and Equipment	\$ 1,056,696	\$ 951,551
Accumulated Depreciation	(731,147)	(540,970)
Property and Equipment, net	<u>\$ 325,549</u>	<u>\$ 410,581</u>

5. Line of Credit

USAB has available for its use a \$100,000 line of credit collateralized by all inventory, chattel paper, accounts receivable, equipment, and general intangibles. Interest on advances is payable at the London Interbank Offered Rate plus 2.5% and is due and payable monthly. The principal and any accrued unpaid interest are due and payable upon demand. The principal balance of this loan must be reduced to a zero balance for a period of at least 30 consecutive days during the year. At December 31, 2019 and 2018, there was no amount owed under this line of credit.

6. Investments

At December 31, 2019 and 2018, USAB's investments were held at and managed in one brokerage account. All investments were measured at fair value and include common stocks, exchange-traded and closed-end funds, corporate bonds, government securities, and mutual funds.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

6. Investments (Concluded)

Investments of USAB at December 31, 2019 consisted of the following:

	Historical Costs	Fair Value
Equity Securities	\$ 681,824	\$ 871,834
Mutual Funds	367,986	378,216
Exchange Traded and Closed-End Funds	277,329	366,710
Government Securities	218,096	221,890
Corporate Bonds	150,450	152,221
	<u>\$ 1,695,685</u>	<u>\$ 1,990,871</u>

Investments of USAB at December 31, 2018 consisted of the following:

	Historical Costs	Fair Value
Equity Securities	\$ 490,616	\$ 507,590
Mutual Funds	263,103	255,924
Exchange Traded and Closed-End Funds	195,373	214,873
Government Securities	155,324	154,677
Corporate Bonds	107,931	106,919
	<u>\$ 1,212,347</u>	<u>\$ 1,239,983</u>

USAB's investments are exposed to various risks, such as interest rate, credit, and market risks. Interest rate risk is the risk an entity may face should interest rate variances affect fair value of investments. Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Market risk is the risk associated with certain investment securities, such that it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

7. Fair Value

USAB follows ASC 820, *Fair Value Measurements and Disclosures*, as amended, with respect to fair value measurements of its financial assets and liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.



USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

7. Fair Value (Continued)

In accordance with ASC 820, the table below provides information by level for assets that are measured at fair value on a recurring basis at December 31, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Equity Securities	\$ 871,834	\$ -	\$ -	\$ 871,834
Mutual Funds	378,216	-	-	378,216
Exchange Traded and Closed-End Funds	366,710	-	-	366,710
Government Securities	221,890	-	-	221,890
Corporate Bonds	152,221	-	-	152,221
	<u>\$ 1,990,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,990,871</u>

In accordance with ASC 820, the table below provides information by level for assets that are measured at fair value on a recurring basis at December 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Equity Securities	\$ 507,590	\$ -	\$ -	\$ 871,834
Mutual Funds	255,924	-	-	378,216
Exchange Traded and Closed-End Funds	214,873	-	-	366,710
Government Securities	154,677	-	-	221,890
Corporate Bonds	106,919	-	-	152,221
	<u>\$ 1,239,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,990,871</u>

8. Leases

USAB leases certain equipment under leases expiring in December 2020. Equipment lease expense was \$8,950 and \$10,437 for the years ended December 31, 2019 and 2018, respectively and is included in printing expense.

During 2017, USAB entered into a lease for the USAB Fulfillment Center warehouse. This agreement was extended in 2019 until December 2021. The remaining lease term is 24 months. Lease expense was \$46,181 and \$44,827 for the years ended December 31, 2019 and 2018, respectively.

During 2015, USAB signed a lease for office facilities. This agreement was extended in 2019 until December 2021. The remaining lease term is 24 months. Lease expense was \$175,748 and \$169,127 for the years ended December 31, 2019 and 2018.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

8. Leases (Continued)

Future lease expense for USAB is projected to be as follows:

Years Ending December 31	
2020	\$ 229,394
2021	229,574
	<u>\$ 458,968</u>

9. USAB National Training Complex Agreement/Lease

On October 9, 2008, USAB entered into a 10-year license agreement with the town of Cary, North Carolina to use the baseball complex at Thomas Brook Park in Cary, North Carolina. USAB will annually, over the term of this license agreement, pay a base license fee of \$20,000 per year. USAB will also pay an additional license fee, a portion of all sponsorship and signage revenue, and a portion of retail merchandise sales. The Town of Cary is guaranteed a minimum payment of sponsorship and signage revenue of \$125,000 for the first year, \$150,000 for years two through five, and \$150,000 with a consumer price index adjustment for years six through ten. Under this license agreement, USAB incurred fees of \$266,579 for the years ended December 31, 2019 and 2018, which are included in rent--playing facilities in the combined statement of functional expenses. Additional rent payments, for the years ended December 31, 2019 and 2018, respectively, of \$19,809 and \$36,088 were made outside of the license agreement for individual events and are also included in rent--playing facilities in the combined statement of functional expenses. The contract expired during 2017. USAB is currently negotiating a new contract with the town of Cary, North Carolina. Until a new contract is executed, both parties have agreed to continue operating under the basic terms of the expired agreement.

10. Retirement Plan

USAB maintains a 401(k) plan in which eligible employees are able to enter the deferral portion of the plan immediately upon electing to participate. Employees who have attained the age of 21 are eligible to participate. Under the plan, USAB will make matching contributions equal to 100% of the employee's elective deferral contributions, up to 3% of the employee's compensation, and 50% of the elective deferral contributions over 3% of the employee's compensation, but not to exceed 5% of compensation. USAB made matching contributions of \$102,978 and \$84,435 for the years ended December 31, 2019 and 2018, respectively.

11. Major League Baseball Agreement

USAB granted exclusively to Major League Baseball Properties, Inc. and MLB Advanced Media, LLC, the rights to use, license and sublicense, on a worldwide, nonroyalty bearing basis all commercial and editorial rights and interest and other rights to generate revenue annually for the term beginning January 2016 and concluding December 2021. USAB will receive annual funding for its operations from the Office of the Commissioner of Baseball, with the minimum amounts as follows:

2020	\$ 2,812,160
2021	2,924,646

There is also revenue sharing between the entities in this agreement.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

12. Youth Baseball Bat Licensing Program

During 2017, USAB entered into USA Baseball Youth Bat Performance Standard Trademark License Agreements with 12 bat manufacturers in which the licensees pay USAB a licensing royalty of 5% of net sales of approved bats bearing the trademark, paid on a quarterly basis. This agreement runs through December 31, 2022.

Also during 2017, USAB entered into Youth Bat Licensing Royalty Agreements with five youth baseball organizations in which USAB distributes 2.75% of the 5% royalties received from the bat manufacturer's agreements. Distributions are made on a quarterly basis. The monies are kept in a separate bank account from USAB's general funds and are included in restricted cash on the combined statement of financial position. Payables to youth baseball organizations of \$793,752 and \$930,342 are included in bat licensing program on the combined statement of financial position at December 31, 2019 and 2018, respectively.

USAB retains 2.25% of the 5% of royalties received from the bat manufacturer's agreements. During 2019 and 2018, USAB earned bat licensing program income of \$3,967,963 and \$5,059,883, respectively.

During 2019 and 2018, USAB imposed fines of \$100,000 and \$3,100,000 for violations of the bat licensing agreement, which the manufacturers paid in full.

13. Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, 2019 and 2018 are as follows:

	2019	2018
Undesignated	\$ 5,756,791	\$ 6,203,686
Board Designated - USAB Develops	150,000	-
	<u>\$ 5,906,791</u>	<u>\$ 6,203,686</u>

14. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following purposes:

	2019	2018
USAB Develops	\$ 48,392	\$ 196,458
Prospect Development Pipeline	50,218	-
	<u>\$ 98,610</u>	<u>\$ 196,458</u>

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

15. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of passage of time or other events specified by donors. The net assets released from restrictions for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
USAB Develops	\$ 1,430,066	\$ 1,131,799
Prospect Development Pipeline	1,499,782	450,000
	<u>\$ 2,929,848</u>	<u>\$ 1,581,799</u>

16. Board Designated Endowment Fund

The Foundation's invested funds provide long-term support to the Federation. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. A board-designated endowment fund is generally created when a governing board designates or earmarks a portion of its net assets without donor restrictions to be invested for a long, and possibly unspecified, period of time.

The State of North Carolina enacted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

Changes in board-designated endowment assets of the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Endowment Net Assets at January 1	\$ <u>1,276,795</u>	\$ <u>1,631,807</u>
Investment Return:		
Investment Income, net	14,018	2,158
Net Appreciation (Depreciation):		
Realized and Unrealized	286,030	(80,402)
Total Investment Return	<u>300,048</u>	<u>(78,244)</u>
Reclassifications	-	-
Contributions	625,000	-
Other Expense	-	-
Amount Appropriated for Expenditure	<u>(60,000)</u>	<u>(276,768)</u>
Endowment Net Assets at December 31	<u>\$ 2,141,843</u>	<u>\$ 1,276,795</u>

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

16. Board Designated Endowment Fund (Continued)

*Investment Return Objectives and Strategies*

The Foundation's investment policies include investment objectives relative to its long-term investments. The overall objective is to maximize the return on invested assets while minimizing risk and expenses. To achieve this overall objective, the Foundation has employed investment strategies of diversification, credit quality and asset-allocation ranges. In addition, investments within the portfolio should be readily marketable. The invested composition at any given time is dependent upon a number of factors, including the amount available for investment and current market conditions.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy of distributing amounts over an established corpus amount of \$1,050,000, with approval by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its investments. Accordingly, the Foundation expects the current spending policy to sustain its endowment and investment return objectives.

17. Liquidity and Availability

USAB manages its liquid assets by investing holdings in interest-bearing deposits, bonds, mutual funds, and similar investments to ensure that there are adequate resources to cover operating and capital needs. Departmental budgets are prepared through extensive meetings and those budgets are converted to cash flow budgets in order to anticipate cash needs.

The following reflects USAB's financial assets (cash and cash equivalents and investments) as of December 31, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures:

	<u>2019</u>	<u>2018</u>
Financial assets available within one year:		
Cash	\$ 2,593,142	\$ 4,261,421
Accounts Receivable	1,810,164	1,317,176
Investments	<u>1,990,871</u>	<u>1,239,983</u>
Financial assets, at year end	6,394,177	6,818,580
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Contractual restrictions	322,919	287,770
Restricted by donor with purpose restrictions	98,610	196,458
Board Designated	<u>150,000</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,822,648</u>	<u>\$ 6,334,352</u>

18. Prior Period Adjustment

The beginning net asset balances for the year ended December 31, 2018 have been restated to properly reflect net assets with donor restrictions. Beginning net assets with donor restrictions have been increased by \$78,257 to properly reflect amounts originally recorded as deferred revenue. In addition, at December 31, 2018, deferred revenue was decreased by \$196,458 and ending net assets with donor restrictions were increased by \$196,458.

USA BASEBALL  
Notes to Combined Financial Statements  
December 31, 2019 and 2018

19. Subsequent Events

USAB evaluated the events and transactions subsequent to its December 31, 2019 combined statement of financial position date and determined there were no significant events to report through April 10, 2020, which is the date USAB issued its combined financial statements.



Board of Directors  
USA Baseball  
Durham, North Carolina

### INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

We have audited the combined financial statements of USA Baseball as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated April 10, 2020, which contained an unmodified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole.

The supplementary information is presented for the purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*Koonce, Wooten & Haywood, L.L.P.*

Raleigh, North Carolina  
April 10, 2020

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USA BASEBALL  
Combining Statement of Financial Position  
December 31, 2019

ASSETS				
	United States Baseball Federation, Inc.	Baseball America Foundation, Inc.	Eliminations	Total
<b>CURRENT ASSETS:</b>				
Cash	\$ 2,121,761	\$ 148,462	\$ -	\$ 2,270,223
Restricted Cash	322,919	-	-	322,919
Account Receivable	1,810,164	-	-	1,810,164
Inventories	634,970	-	-	634,970
Investments	-	1,990,871	-	1,990,871
Other Current Assets	265,435	2,510	-	267,945
Total Current Assets	5,155,249	2,141,843	-	7,297,092
<b>PROPERTY AND EQUIPMENT, net</b>	325,549	-	-	325,549
Total Assets	\$ 5,480,798	\$ 2,141,843	\$ -	\$ 7,622,641

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>				
Bat Licensing Program	\$ 793,752	\$ -	\$ -	\$ 793,752
Accounts Payable and Accrued Expenses	598,994	-	-	598,994
Deferred Revenue	224,494	-	-	224,494
Total Current Liabilities	1,617,240	-	-	1,617,240
<b>NET ASSETS</b>				
Without Donor Restrictions	3,764,948	2,141,843	-	5,906,791
With Donor Restrictions	98,610	-	-	98,610
Total Net Assets	3,863,558	2,141,843	-	6,005,401
Total Liabilities and Net Assets	\$ 5,480,798	\$ 2,141,843	\$ -	\$ 7,622,641

See Independent Auditor's Report on Supplementary Information.



USA BASEBALL  
Combining Statement of Financial Position  
December 31, 2018

ASSETS				
	United States Baseball Federation, Inc.	Baseball America Foundation, Inc.	Eliminations	Total
<b>CURRENT ASSETS:</b>				
Cash	\$ 3,938,625	\$ 35,026	\$ -	\$ 3,973,651
Restricted Cash	287,770	-	-	287,770
Account Receivable	1,317,176	-	-	1,317,176
Inventories	517,408	-	-	517,408
Investments	-	1,239,983	-	1,239,983
Other Current Assets	199,098	1,786	-	200,884
Total Current Assets	6,260,077	1,276,795	-	7,536,872
<b>PROPERTY AND EQUIPMENT, net</b>	410,581	-	-	410,581
Total Assets	\$ 6,670,658	\$ 1,276,795	\$ -	\$ 7,947,453

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>				
Bat Licensing Program	\$ 930,342	\$ -	\$ -	\$ 930,342
Accounts Payable and Accrued Expenses	420,262	-	-	420,262
Deferred Revenue	196,705	-	-	196,705
Total Current Liabilities	1,547,309	-	-	1,547,309
<b>NET ASSETS</b>				
Without Donor Restrictions	4,926,891	1,276,795	-	6,203,686
With Donor Restrictions	196,458	-	-	196,458
Total Net Assets	5,123,349	1,276,795	-	6,400,144
Total Liabilities and Net Assets	\$ 6,670,658	\$ 1,276,795	\$ -	\$ 7,947,453

See Independent Auditor's Report on Supplementary Information.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
(2019)

USA BASEBALL  
Combining Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019

	United States Baseball Federation, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Bat Licensing Program Royalties	\$ 3,967,963	\$ -	\$ 3,967,963
Major League Baseball Funding	1,422,000	1,282,000	2,704,000
MLB/USAB Joint Events	2,700,177	-	2,700,177
Event Registration and Room Rebates	2,225,456	-	2,225,456
Merchandise Sale and Memorabilia	1,615,038	-	1,615,038
Prospect Development Pipeline	-	1,550,000	1,550,000
Sponsorships, Licensing, and Donations	761,791	-	761,791
Value In-Kind Donations	712,827	-	712,827
Ticket Sales	507,707	-	507,707
World Baseball Classic/P12 Tournament	410,000	-	410,000
MLB Professional Team	387,418	-	387,418
Bat Licensing Program Fines	100,000	-	100,000
Other Income	121,436	-	121,436
Membership Revenue	5,280	-	5,280
National Member Organization Revenue	3,000	-	3,000
Dividends and Interest	92,310	-	92,310
Net Realized and Unrealized Gain on Investments	-	-	-
Total	<u>15,032,403</u>	<u>2,832,000</u>	<u>17,864,403</u>
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>2,929,848</u>	<u>(2,929,848)</u>	<u>-</u>
Total Revenues and Other Support	<u>17,962,251</u>	<u>(97,848)</u>	<u>17,864,403</u>
<b>EXPENSES AND DIRECT COSTS:</b>			
Expenses:			
Program Services	16,523,236	-	16,523,236
Management and General	<u>1,699,205</u>	<u>-</u>	<u>1,699,205</u>
Total Expenses	<u>18,222,441</u>	<u>-</u>	<u>18,222,441</u>
Direct Costs:			
Merchandise Sales	863,549	-	863,549
Card Sales and Fundraiser	<u>38,204</u>	<u>-</u>	<u>38,204</u>
Total Direct Costs	<u>901,753</u>	<u>-</u>	<u>901,753</u>
Total Expenses and Direct Costs	<u>19,124,194</u>	<u>-</u>	<u>19,124,194</u>
CHANGES IN NET ASSETS	(1,161,943)	(97,848)	(1,259,791)
NET ASSETS--Beginning of Year - Restated	<u>4,926,891</u>	<u>196,458</u>	<u>5,123,349</u>
NET ASSETS--End of Year	<u>\$ 3,764,948</u>	<u>\$ 98,610</u>	<u>\$ 3,863,558</u>

See Independent Auditor's Report on Supplementary Information.

Baseball America Foundation, Inc.				
Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 3,967,963
-	-	-	-	2,704,000
-	-	-	-	2,700,177
-	-	-	-	2,225,456
-	-	-	-	1,615,038
-	-	-	-	1,550,000
-	-	-	-	761,791
-	-	-	-	712,827
-	-	-	-	507,707
-	-	-	-	410,000
-	-	-	-	387,418
-	-	-	-	100,000
625,000	-	625,000	(685,000)	61,436
-	-	-	-	5,280
-	-	-	-	3,000
14,018	-	14,018	-	106,328
286,030	-	286,030	-	286,030
<u>925,048</u>	<u>-</u>	<u>925,048</u>	<u>(685,000)</u>	<u>18,104,451</u>
-	-	-	-	-
<u>925,048</u>	<u>-</u>	<u>925,048</u>	<u>(685,000)</u>	<u>18,104,451</u>
-	-	-	-	16,523,236
60,000	-	60,000	(685,000)	1,074,205
<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>(685,000)</u>	<u>17,597,441</u>
-	-	-	-	863,549
-	-	-	-	38,204
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>901,753</u>
60,000	-	60,000	(685,000)	18,499,194
865,048	-	865,048	-	(394,743)
<u>1,276,795</u>	<u>-</u>	<u>1,276,795</u>	<u>-</u>	<u>6,400,144</u>
<u>\$ 2,141,843</u>	<u>\$ -</u>	<u>\$ 2,141,843</u>	<u>\$ -</u>	<u>\$ 6,005,401</u>

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
(2018)

USA BASEBALL  
Combining Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018

	United States Baseball Federation, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Bat Licensing Program Royalties	\$ 5,059,883	\$ -	\$ 5,059,883
Major League Baseball Funding	1,400,000	1,250,000	2,650,000
MLB/USAB Joint Events	2,506,219	-	2,506,219
Event Registration and Room Rebates	2,269,539	-	2,269,539
Merchandise Sale and Memorabilia	1,651,949	-	1,651,949
Prospect Development Pipeline	-	450,000	450,000
Sponsorships, Licensing, and Donations	756,093	-	756,093
Value In-Kind Donations	680,683	-	680,683
Ticket Sales	563,556	-	563,556
World Baseball Classic/P12 Tournament	-	-	-
MLB Professional Team	-	-	-
Bat Licensing Program Fines	3,100,000	-	3,100,000
Other Income	371,118	-	371,118
Membership Revenue	5,183	-	5,183
National Member Organization Revenue	3,000	-	3,000
Dividends and Interest	29,473	-	29,473
Net Realized and Unrealized Loss on Investments	-	-	-
Total	<u>18,396,696</u>	<u>1,700,000</u>	<u>20,096,696</u>
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>1,581,799</u>	<u>(1,581,799)</u>	<u>-</u>
Total Revenues and Other Support	<u>19,978,495</u>	<u>118,201</u>	<u>20,096,696</u>
<b>EXPENSES AND DIRECT COSTS:</b>			
Expenses:			
Program Services	14,455,855	-	14,455,855
Management and General	<u>968,024</u>	<u>-</u>	<u>968,024</u>
Total Expenses	<u>15,423,879</u>	<u>-</u>	<u>15,423,879</u>
Direct Costs:			
Merchandise Sales	865,739	-	865,739
Card Sales and Fundraiser	<u>51,007</u>	<u>-</u>	<u>51,007</u>
Total Direct Costs	<u>916,746</u>	<u>-</u>	<u>916,746</u>
Total Expenses and Direct Costs	<u>16,340,625</u>	<u>-</u>	<u>16,340,625</u>
CHANGES IN NET ASSETS	3,637,870	118,201	3,756,071
NET ASSETS-- Beginning of Year - Restated	<u>1,289,021</u>	<u>78,257</u>	<u>1,367,278</u>
NET ASSETS--End of Year	<u>\$ 4,926,891</u>	<u>\$ 196,458</u>	<u>\$ 5,123,349</u>

See Independent Auditor's Report on Supplementary Information.

Baseball America Foundation, Inc.

Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 5,059,883
-	-	-	-	2,650,000
-	-	-	-	2,506,219
-	-	-	-	2,269,539
-	-	-	-	1,651,949
-	-	-	-	450,000
-	-	-	-	756,093
-	-	-	-	680,683
-	-	-	-	563,556
-	-	-	-	-
-	-	-	-	-
-	-	-	-	3,100,000
-	-	-	(276,768)	94,350
-	-	-	-	5,183
-	-	-	-	3,000
2,158	-	2,158	-	31,631
(80,402)	-	(80,402)	-	(80,402)
(78,244)	-	(78,244)	(276,768)	19,741,684
-	-	-	-	-
(78,244)	-	(78,244)	(276,768)	19,741,684
-	-	-	-	14,455,855
276,768	-	276,768	(276,768)	968,024
276,768	-	276,768	(276,768)	15,423,879
-	-	-	-	865,739
-	-	-	-	51,007
-	-	-	-	916,746
276,768	-	276,768	(276,768)	16,340,625
(355,012)	-	(355,012)	-	3,401,059
1,631,807	-	1,631,807	-	2,999,085
\$ 1,276,795	\$ -	\$ 1,276,795	\$ -	\$ 6,400,144