

USA VOLLEYBALL FOUNDATION

Financial Statements

For the Year Ended December 31, 2013

TABLE OF CONTENTS

Independent Auditors' Report 1
Statement of Financial Position 3
Statement of Activities and Changes in Net Assets 4
Statement of Cash Flows 5
Notes to Financial Statements 6

INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Volleyball Foundation
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Volleyball Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Volleyball Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
March 28, 2014

USA VOLLEYBALL FOUNDATION
Statement of Financial Position
December 31, 2013

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 251,901
Accounts receivable	<u>78,746</u>
Total current assets	330,647
LONG-TERM INVESTMENTS	3,587,767
RESTRICTED CASH AND INVESTMENTS	<u>223,338</u>
TOTAL ASSETS	<u>\$ 4,141,752</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Grants payable	\$ 322,403
NET ASSETS:	
Unrestricted	3,596,011
Temporarily restricted	<u>223,338</u>
Total net assets	<u>3,819,349</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,141,752</u>

See Notes to Financial Statements

USA VOLLEYBALL FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE:			
Investment income	\$ 589,088	\$ 23,559	\$ 612,647
Contributions and grants	37,814	70,547	108,361
Fundraising events	<u>1,317</u>	<u> </u>	<u>1,317</u>
Total revenue	628,219	94,106	722,325
EXPENSES:			
Program services:			
Programs and grants	467,310		467,310
Supporting services:			
Management and general	<u>19,720</u>	<u> </u>	<u>19,720</u>
Total expenses	<u>487,030</u>	<u> </u>	<u>487,030</u>
CHANGE IN NET ASSETS	141,189	94,106	235,295
NET ASSETS, beginning of year	<u>3,454,822</u>	<u>129,232</u>	<u>3,584,054</u>
NET ASSETS, end of year	<u>\$ 3,596,011</u>	<u>\$ 223,338</u>	<u>\$ 3,819,349</u>

See Notes to Financial Statements

USA VOLLEYBALL FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 235,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
Long-term investments, net	(214,733)
Increase in accounts receivable	(78,747)
Increase in grants payable	<u>249,760</u>
Total adjustments	<u>(43,720)</u>
Net cash provided by operating activities	191,575
CASH FLOWS FROM INVESTING ACTIVITIES:	
Decrease in restricted cash and investments	<u>(23,559)</u>
Net cash used by investing activities	<u>(23,559)</u>
NET INCREASE IN CASH	168,016
CASH AND CASH EQUIVALENTS, beginning of year	<u>83,885</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 251,901</u>

See Notes to Financial Statements

USA VOLLEYBALL FOUNDATION
Notes to Financial Statements
For the Year Ended December 31, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Contributions

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

Cash and Cash Equivalents

Cash and cash equivalents consist of the Foundation's checking and savings accounts. The Foundation maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure, the Foundation might only be able to recover the amounts insured.

Accounts Receivable

Accounts receivable are stated at the amount the Foundation Association expects to collect from balances outstanding at year-end. Based on the Foundation's experience with individuals and entities having outstanding balances, it has concluded that any losses on balances outstanding at year-end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Income Taxes

The Foundation 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.

The Foundation's form 990, Return of Organization Exempt from Income Tax, for the years ended 2010 to 2013 is subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Foundation 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 Foundation has evaluated events and transactions for potential recognition or disclosure through March 28, 2014, the date that the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENT

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

Notes to Financial Statements

B. FAIR VALUE MEASUREMENT - Continued

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

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

The following table presents the assets that are measured at fair value on a recurring basis at December 31, 2013:

Assets at Fair Value as of December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 56,641	\$	\$	\$ 56,641
Equity securities	1,582,035			1,582,035
Mutual funds	1,999,225			1,999,225
Fixed income	<u>173,204</u>			<u>173,204</u>
	<u>\$3,811,105</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,811,105</u>

Investment income consists of the following for the year ended December 31, 2013:

Interest and dividends	\$ 97,796
Realized gains on investments	332,132
Unrealized gains on investments	<u>182,719</u>
	<u>\$ 612,647</u>

Notes to Financial Statements

B. FAIR VALUE MEASUREMENT - Continued

Investments are presented in the statement of financial position as follows:

Long-term investments	\$ 3,587,767
Restricted cash and investments	<u>223,338</u>
	<u>\$ 3,811,105</u>

C. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2013:

Education	\$ 86,164
Orange City Youth Development	48,786
Boy's Youth National Team	27,533
Women's National Team	16,614
Women's Youth National Team	13,266
Men's National Team	10,922
Men's Junior National Team	9,990
Women's Junior National Team	6,853
Koorhan Memorial Fund	2,832
Sitting Teams	328
Beach Programs	<u>50</u>
	<u>\$ 223,338</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2013, no net assets were released from restrictions.

D. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, the Foundation provided grants to USA Volleyball under the following programs:

Development activities and fundraising programs	\$ 284,065
USA Volleyball loan step-down payment	<u>165,000</u>
	<u>\$ 449,065</u>

Notes to Financial Statements

D. RELATED PARTY TRANSACTIONS - Continued

At December 31, 2013, the Foundation had recorded grants payable to USA Volleyball of \$322,403 for amounts due under the above programs.

In 2011, USA Volleyball was granted a revolving line of credit to support the purchase of the headquarters building. In the same year, USA Volleyball Foundation agreed to annually grant USA Volleyball a sum equaling the bank loan step down principal payment of \$165,000, beginning in 2013 and continuing through the completion of the loan payments. Currently, the term of the loan is 16 years. The amount paid by the Foundation is conditioned on its net earnings for the previous fiscal year ended September 30 equaling or exceeding \$165,000.

USA Volleyball does not control the Foundation and therefore does not prepare consolidated financial statements.