

USA VOLLEYBALL FOUNDATION
Financial Statements
For the Year Ended December 31, 2011

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Volleyball Foundation
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of USA Volleyball Foundation (a nonprofit organization) as of December 31, 2011, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Waugh & Goodwin, LLP

March 23, 2012

USA VOLLEYBALL FOUNDATION
Statement of Financial Position
December 31, 2011

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 56,394
Life insurance (Note B)	<u>10,000</u>
Total current assets	66,394
LONG-TERM INVESTMENTS (Note B)	3,285,864
RESTRICTED CASH AND INVESTMENTS (Note B)	<u>118,151</u>
TOTAL ASSETS	<u>\$ 3,470,409</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Grants payable (Note D)	\$ 94,170
NET ASSETS:	
Unrestricted	3,258,088
Temporarily restricted (Note C)	<u>118,151</u>
Total net assets	<u>3,376,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,470,409</u>

See Notes to Financial Statements

USA VOLLEYBALL FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE:			
Contributions and grants	\$ 10,188	\$ 3,700	\$ 13,888
Fundraising events	3,298		3,298
Investment loss (Note B)	<u>(74,316)</u>	<u>(7,815)</u>	<u>(82,131)</u>
Total revenue	(60,830)	(4,115)	(64,945)
EXPENSES:			
Program services:			
Programs and grants	173,855		173,855
Supporting services:			
Management and general	<u>20,235</u>		<u>20,235</u>
Total expenses	<u>194,090</u>		<u>194,090</u>
CHANGE IN NET ASSETS	(254,920)	(4,115)	(259,035)
NET ASSETS, beginning of year	<u>3,513,008</u>	<u>122,266</u>	<u>3,635,274</u>
NET ASSETS, end of year	<u>\$ 3,258,088</u>	<u>\$ 118,151</u>	<u>\$ 3,376,239</u>

See Notes to Financial Statements

USA VOLLEYBALL FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (259,035)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
Long-term investments, net	220,666
Increase in grants payable	<u>50,639</u>
Total adjustments	<u>271,305</u>
Net cash provided by operating activities	12,270
CASH FLOWS FROM INVESTING ACTIVITIES:	
Decrease in restricted cash and investments	<u>7,815</u>
Net cash provided by investing activities	<u>7,815</u>
NET INCREASE IN CASH	20,085
CASH AND CASH EQUIVALENTS, beginning of year	<u>36,309</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 56,394</u>

See Notes to Financial Statements

USA VOLLEYBALL FOUNDATION
Notes to Financial Statements
For the Year Ended December 31, 2011

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.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740, "Income Taxes", which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's income tax returns.

The Foundation's income tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2008 to 2011. The Foundation believes that its operations have been conducted in accordance with its tax-exempt status.

Date of Management's Review

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 23, 2012, 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 tables present assets that are measured at fair value on a recurring basis at December 31, 2011:

Assets at Fair Value as of December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 77,645	\$	\$	\$ 77,645
Equity securities	1,675,658			1,675,658
Mutual funds	1,250,641			1,250,641
Fixed income	400,071			400,071
Life insurance			10,000	10,000
	<u>\$3,404,015</u>	<u>\$</u>	<u>\$ 10,000</u>	<u>\$ 3,414,015</u>

Investment loss consists of the following for the year ended December 31, 2011:

Interest and dividends	\$ 108,316
Realized gains on investments	150,602
Unrealized losses on investments	<u>(341,049)</u>
	<u>\$ (82,131)</u>

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

Long-term investments	\$ 3,285,864
Restricted cash and investments	118,151
Life insurance	<u>10,000</u>
	<u>\$ 3,414,015</u>

Notes to Financial Statements

C. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2011:

Education	\$ 67,251
Boy's Youth National Team	21,490
Women's Youth National Team	10,354
Men's Junior National Team	7,797
Women's Junior National Team	5,349
Koorhan Memorial Fund	2,210
Men's National Team	2,100
Women's National Team	<u>1,600</u>
	<u>\$ 118,151</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2011, no net assets were released from restrictions.

D. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Foundation provided grants to USA Volleyball under the following programs:

Development activities and fundraising programs	\$ 166,066
Men's Volleyball Collegiate Grants	<u>2,000</u>
	<u>\$ 168,066</u>

At December 31, 2011, the Foundation had recorded grants payable to USA Volleyball of \$94,170 for amounts due under the above programs.

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